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May 29, 2005

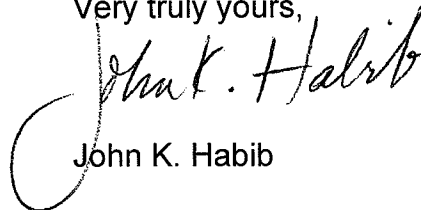
Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

RE: D.T.E. 04-116- Investigation by the Department of Telecommunications and Energy On Its Own Motion Regarding the Service Quality Guidelines Established in Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84 (2001)

Dear Secretary Cottrell:

Please find attached the responses of New England Gas Company (the "Company") to the Department of Telecommunications and Energy's Third Set of Information Requests to All Participants in the above-referenced proceeding. Please contact me or Kevin Penders at the Company if you have any questions regarding the responses.

Very truly yours,

A handwritten signature in dark ink, appearing to read "John K. Habib", is written over a large, stylized circular flourish.

John K. Habib

Enclosure

cc: Service List  
Jody Stiefel  
Kevin Penders  
Peter Czekanski  
Joseph Rogers

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**THIRD SET OF INFORMATION REQUESTS OF  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO  
ALL PARTICIPANTS  
D.T.E. 04-116**

**RESPONSES OF NEW ENGLAND GAS COMPANY**

Dated: July 29, 2005

Respondent: Karen Czaplewski, Vice President, Customer Service

**Information Request DTE-A 3-1**

Please provide, for all gas and electric companies in the United States with a telephone answering performance measure, a description of the measure, the name of the company, and the docket or other citation where the measure was adopted.

**Response**

The Company does not have information responsive to the question available to it. Although the Company is aware that from time to time independent consulting firms may perform state by state surveys to identify various types of service-quality measures, including a telephone answering performance measure, those results are not publicly available.

In Rhode Island, the Company has two telephone answering performance measures for its Rhode Island service area. The first tracks the percentage of abandoned calls, the second the Company's average speed of answer within 60 seconds. The Commission determined that call center measures would account for 24 percent of the overall weight of the penalties for service measures, and established that 1 percent of revenue was sufficient for the overall penalty. RIPUC Order No. 17605 at 33. Call center measures are reported on a quarterly basis along with other measures, but are subject to annual penalties. Id. A copy of the Order has been attached to this response.

Additionally, on June 15, 2000, the Missouri Public Service Commission ("MOPSC") approved Southern Union Company's application to merge with Providence Energy Corporation, thereby creating the New England Gas Company. In that approval, attached to this response, MOPSC staff detailed a proposal agreed to by New England's affiliate company, Missouri Gas Energy ("MGE") that established two customer service performance measures for MGE. MOPSC Case No. GM-2000-500 Memorandum ("Memorandum") at 5. The first established an average abandoned call rate not to exceed 7.5 percent on an annual basis. Id. The second established an average speed of answer not to exceed 65 seconds plus a 25 percent variance of 16 seconds annually for calendar year 2000, and after that 65 seconds plus a 15 percent variance of 10 seconds annually. Id. Other reporting requirements, including a non-penalty customer complaint category, are detailed at 6-8.

The Company has also provided the Pennsylvania Public Utility Commission's ("PPUC") Bureau of Consumer Services 2001 Report on Customer Service Performance for Pennsylvania Natural Gas Distribution Companies ("Report"). As the Report states, the PPUC established reporting requirements for customer service performance measures in 2000. Report at Introduction. The natural gas distribution companies report to the PPUC on the percent of calls answered within 30 seconds, the average "busy-out" rate, and the abandoned call rate. Report at 3. As of 2002, this data was to be reported to the PPUC on an annual basis. There is no mention of the PPUC assessing penalties for these measures.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NEW ENGLAND GAS COMPANY'S :  
SERVICE QUALITY PLAN : DOCKET NO. 3476

REPORT AND ORDER

I. NEGas' September 30, 2002 Filing

On September 30, 2002, New England Gas Company ("NEGas") filed direct testimony in support of a proposed Service Quality Plan ("SQP"). Karen Czaplewski, Vice President of Customer Service and Information Technology addressed the comprehensive nature of the SQP proposed by NEGas. Charles Meunier, Senior Vice President of Operations addressed the reason why NEGas is proposing a SQP.

Mr. Meunier stated that a settlement agreement entered into with the Division of Public Utilities and Carriers ("Division") required that the quality of service provided to customers of the merged companies would not be diminished because of the acquisition and merger. Mr. Meunier stated that according to the terms of the Settlement Agreement in Docket No. 3401, it was the intention of the parties to submit a joint proposal to the Commission no later than September 30, 2002 and that if the parties could not reach agreement on a joint proposal, NEGas would submit its own SQP by that date.<sup>1</sup>

Mr. Meunier indicated that there are eight service quality measures proposed to monitor service quality: abandoned call rate; average speed of answer; on-cycle meter reads; testing of meters; customer requested meter tests completed; service appointments met as scheduled; leak call responsiveness – normal business hours; and leak call responsiveness – after normal business hours. He categorized five general categories that

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<sup>1</sup> NEGas Ex. 2 (Czaplewski's & Meunier's direct testimony), pp. 5-6.

encompass these measures: call center responsiveness; meter reads; meter testing; service appointments; and safety.

Ms. Czaplewski reviewed the call center responsiveness measures: abandoned call rate and average speed of answer. She stated that the abandoned call percentage is the annual number of abandoned calls as a percentage of the total number of calls into the call center, and she defined these as abandoned calls answered after the caller hangs up. For the average speed of answer category, she stated that both Providence and Cumberland operations have historically collected data differently to monitor this measure. Ms. Czaplewski stated that as of August 1, 2001, the annual percentage of calls answered within 60 seconds is the proposed performance measure for the combined Rhode Island operations.

Mr. Meunier discussed on-cycle meter reads. He noted that the Providence operations had Automated Meter Reading ("AMR") devices and, therefore, NEGas is able to perform a 99% actual meter reads. However, Cumberland operations have not implemented AMR technology and, therefore, are able to perform only 75% of actual meter reads.

Relative to measures for meter testing, Mr. Meunier stated that NEGas proposed to test 15,000 total meters annually. Another service quality measure relative to meter testing is customer requested meter tests completed within 15 days from the request.

In the area of service appointments performance, NEGas proposed that the performance criteria for service appointments be defined as the annual percentage of general service appointments met as scheduled. Mr. Meunier stated that these

appointments include meter installations, meter removals, meter change-outs, starting and final meter reads, reconnections, and high bill investigations.

Relative to safety, NEGas proposed two measures to monitor customer safety described as leak call responsiveness. The first measure proposed is to use the percentage of leak calls responded to within 30 minutes during normal business hours. The second measure proposed is to use the annual percentage of leak calls responded to within 45 minutes during non-business hours.<sup>2</sup>

Ms. Czaplewski proposed that the implementation of the SQP be a 3-year plan running concurrent with the 3-year base rate freeze approved in Docket No. 3401 and that the performance period be based on NEGas' current fiscal year running from July 1, 2002 through June 30, 2003.

Relative to the benchmarks for the call center service quality measures, Ms. Czaplewski proposed that the annual abandoned call rate service quality benchmark be 15.1% which is based on the combined historical service for the legacy companies for three years. Ms. Czaplewski proposed that the annual performance benchmark for the average speed of answer be based on the data collected on the percentage of telephone calls handled within 60 seconds since July 1, 2001.

For meter reads, Mr. Meunier stated that NEGas proposed a benchmark of 94.4% for on-cycle meter readings, which is based on two years of historical data. For periodic meter testing, Mr. Meunier proposed a combined 15,000 total meters annually to be tested. For customer requested meter tests, Mr. Meunier proposed a benchmark of 77.4%, which is based on performance since September, 2001.

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<sup>2</sup> Id., pp. 6-10.

Relative to service appointments, Mr. Meunier proposed a performance benchmark of 97.2%, which is based on two years of historical data. He also proposed that the leak response benchmarks during normal business hours and after normal business hours be set at 83.2% and 86.3% respectively, which is based on one year of historical data.<sup>3</sup>

Ms. Czaplewski proposed that a penalty would be incurred if actual performance is not within a deadband for the benchmark. She stated that the deadband would be established by calculating the standard deviation from historical information for those measures where the performance benchmark is calculated. Furthermore, Ms. Czaplewski stated that annual performance that falls within, or is equal to one standard deviation from the benchmark, will result in no revenue penalty for that measure. However, if NEGAs' annual performance for a measure negatively exceeds one standard deviation up to two standard deviations of the benchmark, the result would be a penalty. If an unforeseen exogenous event occurs, NEGAs would exclude the data from the annual performance calculation. However, the burden of proof lies with NEGAs to demonstrate that the event was exogenous. In the area of incentive offsets, Ms. Czaplewski explained that annual performance that falls within the established deadband will result in no incentive offset. However, NEGAs would be eligible for an incentive offset to any penalty incurred within the same performance year for another measure with the exception of any safety measure. Also, Ms. Czaplewski explained that if NEGAs falls outside the two standard deviations in performance, the incentive offset is capped at the maximum level. Furthermore, Ms. Czaplewski stated that the maximum penalty

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<sup>3</sup> *Id.*, pp. 10-13.

adjustment would be \$500,000 for the year and that the Division agrees with this penalty amount.

The penalty weight would be apportioned among the various performance measures as follows: average speed of answer would be 12%; abandoned call rate would be 12%; on cycle meter reads would be 6%; periodic testing of meters would be 6%; customer requested meter tests would be 4%; service appointments met would be 12%; leak call responsiveness during normal business hours would be 24%; and leak call responsiveness after business hours would be 24%.

Finally, NEGas will provide the Division and Commission with quarterly reports on the service quality statistics collected within 30 days of the end of each quarter. Ms. Czaplewski stated that this filing will occur no later than August 1 of each year and the results will be incorporated into in the Distribution Adjustment Charge filing.<sup>4</sup>

## II. Division's Direct Testimony

On November 22, 2002, the Division submitted the direct testimony of Richard LeLash. Mr. LeLash stated that relative to the SQP, the typical objective for such a program is to ensure reasonable performance and to remedy any service deficiencies. He also stated that benchmarks for a typical SQP would be, in most instances, based on the utility's past level of performance and/or some established gas industry standard.

Mr. LeLash stated that any SQP penalty should be sufficient to provide a disincentive to the utility for deficient performance. He stated that the level of the penalty should reflect the importance of the related service area and that pipeline safety

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<sup>4</sup> Id., pp. 13-19.



areas would be given the highest penalties, with the direct customer related areas given the next highest level.

Discussing NEGAs' proposal that annual average performance is appropriate for the SQP, Mr. LeLash disagreed. He stated that NEGAs' performance could be below an established standard for several months but NEGAs could avoid any potential penalty. Because NEGAs' utility service is seasonal in nature, Mr. LeLash stated that there is a need for monthly service reporting and monitoring because annual benchmarks will only mask inadequate performance during peak periods. He stated that with reasonable benchmarks and a procedure to allow remedial action by NEGAs prior to assessing penalties for inadequate performance, there is no justification to have credits for performance that exceed the benchmark's requirement. Furthermore, Mr. LeLash stated that from a customer's point of view, good performance in one area does not cancel out deficient service in another area. Therefore, Mr. LeLash stated that neither a credit mechanism nor deadbands would be necessary or appropriate for the SQP.

Addressing the level of penalties to be assessed in the event of an unresolved service deficiency, Mr. LeLash stated that NEGAs' proposed maximum level of penalties is reasonable. However, he also stated that the Commission should take exogenous events into account if such events have an impact on any deficiency.

Mr. LeLash also discussed two policy issues that he stated need clarification. The first one is NEGAs' proposal to have the SQP for a three-year duration. Mr. LeLash disagreed with this proposal and stated that an annual revision at least for the SQP's first years of operation was necessary. After some annual reviews are done, he agreed that the program could be put into effect for longer intervals of time.

Secondly, Mr. LeLash discussed the treatment of force majeure or exogenous events. He stated that notwithstanding Narragansett Electric's performance standards, NERGas should not be allowed to exclude or fail to report data that it believes to be the result of a force majeure or exogenous event, but instead all reporting should include all data and an explanation of how such data was affected by a claimed exogenous event. He stated that whether an occurrence is an exogenous event should be at the sole discretion of the Commission.<sup>5</sup>

Mr. LeLash went on to explain customer-related measures and stated that these activities are labor intensive areas for a utility and these activities are directly dependent upon adequate staffing levels. According to Mr. LeLash, deficient service in these areas are frequently indicative of inadequate staffing after service consolidations are associated with utility cost reduction initiatives.

Relative to NERGas' call center, Mr. LeLash defined the average speed of answer ("ASA") as a measurement based on data concerning the interval of time between when a caller interacts with the answer system and when the customer connects with the customer service representative. The abandon call percentage ("ACP") is measured by the level of calls terminated by the caller prior to being answered.

Mr. LeLash discussed the call center measure proposed by NERGas of 15.1% as to its ACP benchmark and its ASA benchmark of 55.9% for customer calls be answered within 60 seconds. He stated that for both of these measures NERGas also proposed a deadband of 7.3%. As a starting point, he recommended that the service benchmark for ACP be set at 20% with no associated deadband because in 2002 NERGas achieved a 13.8% ACP. He also recommended that the ASA benchmark be 80% of the calls

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<sup>5</sup> Div. Ex. 1 (LeLash's direct testimony), pp. 5-15.

answered within 120 seconds. He also stated that the ASA should be an all inclusive measure which incorporates abandoned as well as answered calls.<sup>6</sup>

Relative to service appointments, Mr. LeLash indicated that NEGAS should better describe what criteria is to be used for both the numerator and the denominator of the derived service percentage. He stated that NEGAS has proposed a 97.2% benchmark with a 0.8% deadband. In the alternative, Mr. LeLash recommended that a monthly benchmark of 95.0% without any deadband since NEGAS has met a 95.0% level since January, 2000.

Mr. LeLash discussed NEGAS' proposed meter related service measures: cycle meter reads; meter testing; and customer requested meter tests. The on-cycle meter reads percentage, as defined by NEGAS, measures the ratio of actual meter reads to the number of meters assigned to be read. The meter testing measure, Mr. LeLash stated, requires NEGAS to test a specified number of meters in an annual period.

Relative to on-cycle meter reads, Mr. LeLash recommended that NEGAS' definition of this measure be modified slightly so that the denominator in the percentage calculation is the number of active meters. Since NEGAS' historical percentage for on-cycle reads is between 94.3% and 94.5% for annual on-cycle meter reads, he recommended a monthly benchmark of 94.9% with no associated deadband.

According to Mr. LeLash, NEGAS' benchmark of testing 15,000 meters per year is based upon a meter testing cycle of at least one test every 15 years for small meters and at least one test every 10 years for large meters. Mr. LeLash recommended no modification in the category other than to suggest an annual 15,000 benchmark with no deadband.

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<sup>6</sup> Id., pp. 15-20.

Mr. LeLash indicated that a monthly benchmark of 73.5% for completion of requested meter tests appears relative low but noted that there was no deadband.<sup>7</sup>

Relative to NEGas' proposed service measure for leak call responsiveness, Mr. LeLash stated that the Company should specify what constitutes a "response" under its proposal. In the categories for leak calls during normal business hours and for calls outside of normal business hours, the Company proposes a benchmark of 83.2% within 30 minutes in the first instance and 86.3% within 45 minutes in the second instance. He recommended that the Commission adopt an 80% response within 30 minutes for business hours and 80% response within 45 minutes for outside business hours. He also recommended that NEGas be required to provide reporting for any leak response which is not made within 60 minutes so that the Commission can monitor the 20% of responses which do not fall within the prescribed time interval.<sup>8</sup>

In the area of penalties, Mr. LeLash agreed with the maximum of \$500,000 per year. Mr. LeLash proposed the following annual penalties: \$50,000 for the 10% measures such as ASA and ACP; \$75,000 for the 15% measures such as safety; and \$100,000 for the 20% measures such as service appointments. He further recommended that for all but the periodic testing of meters, these penalties be imposed quarterly with the quarterly penalty equal to one-fourth of the proposed annual amounts.

Mr. LeLash stated that the primary objective in establishing the proposed framework is to remedy service deficiencies rather than to impose penalties. He offered a detailed approach in which NEGas would be required to immediately file a remedial action plan or face quarterly penalties.

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<sup>7</sup> Id., pp. 20-24.

<sup>8</sup> Id., pp. 25-26.

Relative to a force majeure event, Mr. LeLash stated that he anticipated that NEGAS will document such a claim when it submits monthly service reports. In cases where NEGAS claims a force majeure event, the Commission would make a determination as to whether a force majeure event occurred.<sup>9</sup>

### III. Direct Testimony of Lawrence Kaufmann, PhD, for NEGAS

On January 15, 2003 NEGAS submitted the direct testimony of Dr. Lawrence Kaufmann. Dr. Kaufmann evaluated the service quality proposals submitted by NEGAS and the Division and proposed modifications to NEGAS' SQP that would make it more consistent with the objective principles for SQPs.

Dr. Kaufmann explained that, based on price and quality, consumers choose among goods and services in the marketplace. He used the analogy that firms which provide poor quality products suffer loss of sales to competitors and, by the same token, firms providing superior quality products are rewarded with increased sales and profits. Therefore, he believed that competitive markets have powerful incentives to provide appropriate quality levels to meet customers' demands.

Dr. Kaufmann stated that regulated services also have certain incentives to provide appropriate service quality levels to their customers because competition can exist from other products for the end uses that regulated services provided to customers. For example, he maintained that gas utilities compete with heating oil companies to provide residential heating services in much of New England. He stated that, nevertheless, these market forces are weaker for regulated utilities like gas distribution companies than in most competitive markets and, therefore, regulation must play an important role in ensuring that utility customers receive appropriate service quality.

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<sup>9</sup> Id., pp. 27-31.

According to Dr. Kaufmann, SQPs are supposed to create appropriate incentives by replicating the market-type forces in which a firm's financial performance is linked to its service quality performance. He stated that a firm operating under a SQP may be penalized if its service quality declines but a utility may be rewarded for service quality improvements similar to firms in competitive markets.

Dr. Kaufmann stated that in order to create performance incentives, the incentive regulation plan must be in place for a multi-year period because a multi-year plan creates a more stable operating and regulatory environment for the utility. He also stated that since it takes time to change operations in ways that improve service quality and many of these efforts entail up-front implementation costs, it would not be reasonable to modify the plan before operational changes have occurred, especially if new costs have to be incurred.<sup>10</sup>

Furthermore, Dr. Kaufmann argued that there are three basic elements of an SQP: a series of indicators of a company's quality of service; related performance benchmarks with deadbands around those benchmarks; and a method for translating a utility's quality performance into a change in utility rates via rewards or penalties. Also, Dr. Kaufmann indicated that there are three criteria that should be used for electing quality indicators: aspects that are related to service quality that customers value; focus on monopoly services; and a chance for utilities to be able to affect the measured quality. Overall, Dr. Kaufmann stated that quality indicators should not focus on some areas while ignoring others because performance deteriorates in the non-targeted areas.

Dr. Kaufmann defined quality benchmarks as the standards against which measured quality is judged. He stated that benchmarks and deadbands should reflect

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<sup>10</sup> NERGas Ex. 1 (Kaufmann's direct testimony), pp. 3-8.

external business conditions in a utility's service territory. Dr. Kaufmann stated that external business conditions can be defined as factors that affect measured quality performance but are beyond the control of utility management such as weather, the incidence of poverty, the heterogeneity of languages spoken, and the tendency of customers to relocate.<sup>11</sup>

Dr. Kaufmann argued that the two main data sources used to set benchmarks are: NEGas' historical performance and peer performance. Relative to the using of a utility's historical performance to set benchmarks, Dr. Kaufmann stated that in many respects this criteria is appealing. He stated that historical benchmarks reflect a company's own operating circumstances as well as the external factors faced by NEGas if the period used to set benchmarks is long enough to reflect the expected variations in these factors. Dr. Kaufmann stated that longer periods are preferred since this method is more likely to achieve the desired goal. If only short time periods are available, benchmarks can be updated at the outset of future plans as more data becomes available, but the rules for updating benchmarks should be spelled out clearly in advance. Furthermore, Dr. Kaufmann indicated that historically-based benchmarks are the only reasonable choice if the objective of the SQP is to prevent service declines from the levels traditionally experienced by a company's customers. In principle, Dr. Kaufmann stated that peer-based benchmarks may be attractive since they reflect the operation and outcomes of competitive markets. In practice, however, he stated that industry-based benchmarks are often problematic.

Dr. Kaufmann stated that benchmarks should be as stable as possible over the term of a SQP since stable benchmarks give utility managers more certainty over the

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<sup>11</sup> *Id.*, pp. 8-11.

resources they must devote to providing adequate service quality. Furthermore, Dr. Kaufmann stated that as much historical data as possible should be used to set benchmarks because the benchmark should reflect the typical external factors that are faced by NEGas. He noted that some Commissions have concluded that benchmarks are not reliable unless there are at least three annual, historical data points.

Dr. Kaufmann defined deadbands as the zone around the benchmarks within which utility performance is neither penalized nor rewarded. He explained that it is appropriate to include deadbands around historically-based benchmarks, because even though historical averages of a company's performance will reflect typical external factors faced by a company, they will not control for shorter-term fluctuations in external factors around the norms. He stated that weather is the salient example which can affect a host of service-quality measures.

When using deadbands as the control for these year-to-year fluctuations in external factors, Dr. Kaufmann indicated that the mean value of this indicator over a suitable historical period would reflect the typical long run external business conditions faced by NEGas. Variation in NEGas' performance around this historical mean will accordingly reflect short run fluctuations in business conditions and, thus, he stated that deadbands should reflect the observed historical variability in measures of service quality performance. Dr. Kaufmann maintained that one straightforward measure of this year-to-year variability is the standard deviation of the quality indicator around its mean.

Dr. Kaufmann argued that deadbands become even more appropriate as the amount of data used to compute the benchmarks declines. He believed that when the



benchmark is based on less historical data, there is less certainty that the benchmark will reflect the full range of external factors that a company may confront.<sup>12</sup>

Dr. Kaufmann stated that if service quality plans allow only for penalties like those proposed by NEGas and the Division, then deadbands are especially important for protecting against inappropriate penalties due to "bad" business conditions like severe weather that could push service quality performance below the benchmark. Dr. Kaufmann argued that service quality plans should not evaluate gas utility performance too frequently since overly frequently performance reviews are likely to give a distorted view of a gas distributor's quality performance because performance evaluations over short intervals are distorted by the seasonal nature of the gas distribution business. He asserted that the most natural period over which to evaluate utility performance is one year.<sup>13</sup>

Describing the differences in rationale of NEGas and the Division's plans, Dr. Kaufmann stated that NEGas' plan is designed to maintain appropriate service quality by penalizing itself in the event that quality declines. In contrast, he stated that the Division has designed a plan with a central purpose of identifying service quality problems and presenting those alleged problems to the Commission with a remedy. Consequently, he believes that the Division's proposal would focus NEGas' efforts and resources on a burdensome administrative process to identify quick fixes for what may be a temporary issue.

In measuring the overall quality of service, he noted that NEGas' proposal allows good service quality performance on some indicators to offset bad performance on other

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<sup>12</sup> Id., pp. 13-16.

<sup>13</sup> Id., pp. 17-18.

indicators, while the Division's does not. Dr. Kaufmann argued that the Division's proposal does not, and, therefore, NEGas' proposal with respect to offsets is more reasonable.

In describing the differences between the plans relative to how often NEGas' service quality performance is evaluated, Dr. Kaufmann believed that NEGas' measured quality proposal is clearly more consistent with standard practice for energy utilities than the Division's approach. He stated that he is not aware of any approved energy utility plan that includes a monthly evaluation period.

Noting that the Division advocates for a series of three one-year service quality plans, Dr. Kaufmann argued that NEGas' proposal for a three-year plan is more reasonable. He indicated that a three-year term is well within the mainstream of regulatory practice and that many plans have longer terms. In contrast, he stated that he is not aware of any approved plan where all the main elements are subject to change each year.

In describing the differences between the Division's and NEGas' benchmarks, Dr. Kaufmann stated that the Division's are not always clear or explicit while NEGas' benchmarks and deadbands are based on its own historical performance and is, therefore, more reasonable. He stated that determining whether peer information can be used to set appropriate benchmarks requires an evaluation of many complex issues about the data comparability and business conditions. In contrast, Dr. Kaufmann stated that NEGas' use of its historical data to set benchmarks is well within the mainstream of United States

regulatory practice while the Division's benchmarks are not derived explicitly from verifiable data and are, therefore, largely subjective.<sup>14</sup>

Dr. Kaufmann indicated that a slight change in NEGas' method for computing deadbands would represent an improvement over both proposals. Dr. Kaufmann proposed that the following deadbands and benchmarks be set and he described "LowBand" as a term used to explain the level at which penalties would be imposed:

<u>Measure</u>	<u>Benchmark</u>	<u>Deadband</u>	<u>LowBand</u>
Aband call rate	15.1%	1.7%	16.8%
Average speed answer	55.9%	1.7%	54.2%
On-cycle meter reads	94.4%	0.1%	94.3%
Testing of meters	15,000	0	15,000
Meter tests completed	77.4%	3.9%	73.5%
Service appointments met	97.2%	0.6%	96.6%
Leak response-bus hrs	83.2%	3.4%	79.8%
Leak response-other	86.3%	4.2%	82.1%

Dr. Kaufmann stated that, overall, his proposal leads to lower bands that are usually more demanding than those proposed by either NEGas or the Division.

In describing the differences between the penalty structure that NEGas and the Division proposed, Dr. Kaufmann stated that the proposals agreed on the total potential penalties but differed on how penalties are allocated among indicators. He maintained that NEGas' allocation is more consistent with industry practice. He stated that NEGas allocated nearly half of the potential penalties to the two safety measures which are

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<sup>14</sup> Id., pp. 15-31.

clearly the most important customer concerns, especially the utility's response to odor calls that can be a matter of life and death.<sup>15</sup>

#### IV. NEGas' Rebuttal Testimony

On January 15, 2003, Ms. Czaplewski filed rebuttal testimony on behalf of NEGas. Ms. Czaplewski stated that the key objective of the SQP is to ensure that service quality does not diminish as NEGas moves forward with its post-merger consolidation efforts. She argued that it is not reasonable or appropriate to evaluate and apply penalties on a monthly or quarterly basis and that the annual approach recognizes that there will be variations in NEGas' level of service from month-to-month often due to factors beyond NEGas' control.

Concerning external factors that affect NEGas' performance, she stated that there are many factors that occur outside of NEGas' control such as cold or severe weather, high bill amounts resulting from cold weather, and changes in gas costs. She also stated that Mr. LeLash's proposal to require plans to remedy service "deficiencies" are not feasible and will be extremely burdensome for all parties involved.

In putting together a workable SQP, Ms. Czaplewski stated that it is of critical importance that performance measures be defined consistently with the way historical data for those measures are collected. She stated that if performance measures are not defined consistently with the way in which data was collected in the past, then the comparison between current performance levels and the benchmarks will represent a mismatch. Ms. Czaplewski stated that, in the Division's proposal, the definitions

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<sup>15</sup> Id., pp. 31-37.

attributed to the performance measures are inappropriate and that the suggested changes would render the historical data and the proposed benchmarks irrelevant.<sup>16</sup>

Relative to the call center, Ms. Czaplewski stated that the Division is recommending two changes to the ASA measure: 1) that the ASA measure include abandoned calls; and 2) that the ASA measure be modified to identify the percentage of calls answered in 120 seconds rather than 60 seconds. She stated that NERGas recently invested in a new switch to allow the ASA to measure on a consistent basis for all areas of the Rhode Island service territory on a 60 second basis. Therefore, she indicated that moving to a 120 second standard would involve new costs for the purpose of delivering a lower level of customer service.

Relative to service appointments, one difference described by Ms. Czaplewski between the Division and NERGas' proposals is the recommendation by the Division that the measure should exclude instances where NERGas showed up for an appointment and the customer did not. She disagreed with the Division because NERGas' historical data does not exclude these appointments.

Relative to on-cycle meter reads, Ms. Czaplewski stated that NERGas does not schedule a reading of every active meter every month; however, she said that NERGas will provide the Division with its monthly meter reading schedules for the service areas where automated meter reading is not available at the beginning of each annual measurement period.

Relative to leak call response times, Ms. Czaplewski stated that NERGas will include in its data the time that elapses from the time a call is received until the point that qualified company personnel arrive at the scene, which does not include repair time.

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<sup>16</sup> NERGas Ex. 3 (Czaplewski's rebuttal testimony), pp. 1-17.

Ms. Czaplewski stated that Dr. Kaufmann proposed a set of performance benchmarks and deadbands that are more stringent than those previously proposed by either NERGA or the Division. She stated that NERGA supports Dr. Kaufmann's proposal because he has applied a systematic approach to the establishment of deadbands and benchmarks.

Ms. Czaplewski stated that she does not agree with Mr. LeLash's proposals relating to the weighting that should be given to each performance measure. She stated that his proposals are not consistent with industry practice, which favors heavier penalties on safety-related measures. Lastly, Ms. Czaplewski stated that there does not appear to be any justification for the Division's exclusion of penalty offsets since the inclusion of these offsets is required under the terms of the Rate Settlement Agreement in Docket No. 3401.<sup>17</sup>

#### V. Division's Surrebuttal Testimony

On February 7, 2003, the Division filed the surrebuttal testimony of Mr. LeLash. At the outset, Mr. LeLash stated that the Commission should not limit the scope of any plan to just maintaining the status quo. Also, he stated that a utility's customers should have the reasonable expectation that adequate service means good service throughout the year. On this basis, Mr. LeLash stated that a monthly rather than an annual benchmark better matches customer requirements and the Commission's ongoing service monitoring objectives.

In describing monthly benchmarks, Mr. LeLash stated that if there were months in which an exogenous event took place, deficient performance could be excused.

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<sup>17</sup> Id. pp. 18-29.

However, he stated that NEGAS would have to show that such exogenous events were the basic cause of the inadequate performance.

Relative to credits or offsets in a SQP, Mr. LeLash stated it was not contemplated that the plan would make provision for a rewards mechanism. He noted Dr. Kaufmann's testimony where he stated that SQPs provide for only penalty provisions. According to Mr. LeLash, by utilizing an annual or quarterly benchmark, the plan already allows such offsetting for a monthly performance in any specific service measure. Therefore, he stated that one month's deficient performance in a quarter can be offset by two other months when performance might be better than required by a benchmark.

Mr. LeLash stated that the remedial mechanism could be eliminated so as to simplify the overall plan. He indicated that the SQP could be structured on a quarterly rather than a monthly basis. Mr. LeLash argued that a quarterly framework can avoid most of the problems associated with an annual mechanism and still ensure reasonable ongoing service monitoring and evaluation.<sup>18</sup>

Relative to call center measures, Mr. LeLash explained that NEGAS' benchmark was intended to include abandoned calls within the calculation of the percentage of calls answered within a specified time period. He stated that NEGAS proposes that a 60 second interval be used and that such a defined performance measure is reasonable. He believed the alternative plan should utilize an initial compliance level of 60% of calls answered within 60 seconds. In periods where there are atypically high calling volumes, Mr. LeLash stated that the Commission should specify that these volumes would be a basis for excluding a particular month as being exogenous. He stated that for the call center, such a volume threshold would currently appear to be in the range of 50,000 to 55,000

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<sup>18</sup> Div. Ex. 2 (LeLash's surrebuttal testimony), pp. 1-11.

calls per month. Relative to the abandoned call percentage, Mr. LeLash stated that a first year threshold of 20% is reasonable with 15% for the second year and 10% for the third year.

Relative to periodic meter testing, Mr. LeLash indicated that the SQP should utilize an annual benchmark of 15,000. Relative to reading of meters within 15 days, he stated that NEGAS has shown 100% compliance with the 15 day requirement for the period July through November, 2002, thus making a 90% benchmark level.

Relative to the service measure for scheduled meter reads, Mr. LeLash stated that NEGAS has met a 94% benchmark in every quarter since the fall of 2002. Therefore, he believed a 94% quarterly benchmark would be reasonable. Relative to the service appointment measure, he noted that NEGAS has defined service appointments to include instances where NEGAS personnel show up but are not able to perform the required work and indicated this definition does not require a modification. For the nine quarters where historical data is available, Mr. LeLash stated that NEGAS has had a 97.4% compliance rate and, therefore a 96% benchmark would be reasonable.

Relative to leak call response, Mr. LeLash argued that NEGAS should clearly specify what constitutes a response under its measurement procedures. With respect to the proposed benchmark, he stated that NEGAS had proposed two separate benchmarks: a 30 minute response for leaks during normal business hours and a 45 minute response for leaks outside of normal business hours. He believed that according to industry practice, it would appear reasonable to consolidate the two measures under a single 45 minute response time measure. Relative to performance benchmarks recommended for the SQP, Mr. LeLash stated that both leak response benchmarks initially be set at 80% and further



noted that NEGAs' performance would have exceeded this benchmark in each of the last five quarters. However, he maintained that given the nature of this service level, the benchmark should be raised to 85% in the second year and to 90% in the third year. Additionally, he recommended that the Commission require incident reports from NEGAs for any response which is not made within a one-hour period.<sup>19</sup>

Relative to proposed weighting of penalties, Mr. LeLash does not believe that lower penalty levels should be assigned where NEGAs has performed well in the past. He argued that the Division's allocations are intended to reflect the relative importance which customers place on the underlying service. Further, he explained that penalty offsets exist in the Division's proposal by virtue of the fact that deficient performance in one month, that should otherwise be penalized, is potentially offset by better than benchmark performance in the other months of a quarter. Therefore, he argued that there is a provision for penalty offsets within the Division's proposal.<sup>20</sup>

#### VI. NEGAs' Supplemental Rebuttal Testimony

On February 21, 2003, NEGAs submitted the supplemental rebuttal testimony of Ms. Czaplewski. Ms. Czaplewski argued that the Division's proposal to establish a plan that relies on performance benchmarks unrelated to historical service levels may require significant service improvements and, therefore, is unreasonable. She stated that NEGAs' service quality related costs are locked into current rates as a result of the rate freeze and, therefore, NEGAs' ability to improve service levels is constrained by the costs that underlie the rates currently in effect.

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<sup>19</sup> *Id.*, pp. 11-19.

<sup>20</sup> *Id.*, pp. 20-24.

Relative to the Division's recommendation regarding service levels, she stated that the recommendations are completely arbitrary and, in some cases, the Division has opted to pick a lower level of service than proposed by NEGAs. In other cases, Ms. Czaplewski maintained that Mr. LeLash is attempting to establish performance levels that would increase the level of performance required of NEGAs substantially beyond historical levels.

Ms. Czaplewski argued that it is not reasonable or appropriate to evaluate and apply penalties on a quarterly basis since NEGAs will inevitably experience variations in performance levels between one or more months during the year. These variations, she asserted, do not necessarily indicate any change or deterioration in the level of service provided by NEGAs.<sup>21</sup>

#### VII. Hearings

After notice public hearings were conducted on May 5, 6, and 15, 2003, at the Commission's offices at 89 Jefferson Boulevard, Warwick.<sup>22</sup> The following appearances were entered:

FOR NEGAS :	Robert Keegan, Esq. Craig Eaton, Esq.
FOR DIVISION:	Paul Roberti, Esq. Assistant Attorney General
FOR LOCAL NO. 12431: <sup>23</sup>	Dennis J. Roberts, II, Esq.
FOR COMMISSION:	Steven Frias, Esq. Executive Counsel

<sup>21</sup> NEGAs Ex. 4 (Czaplewski's supplemental rebuttal testimony), pp. 1-16.

<sup>22</sup> Hearings in this docket were originally scheduled for December 16, 2002 but were postponed three times, twice at the request of NEGAs and once at the request of Local No. 12431.

<sup>23</sup> NEGAs objected to the motion to intervene by United Steelworkers of America Local Union 12431. However, the Commission granted the motion to intervene.

On May 5, 2003, NERGas presented Dr. Lawrence Kaufmann as its witness. Dr. Kaufmann testified that NERGas' proposal was superior to the Division proposal because it was based on NERGas' own measures and historical performance and it contains deadbands to reflect the effect of external factors, such as weather, on NERGas' service quality.<sup>24</sup> Furthermore, he indicated that NERGas' proposal was more reasonable than the Division's proposal because NERGas had annual benchmarks and offsets.<sup>25</sup> Under cross-examination by the Division, Dr. Kaufmann admitted that other states have more demanding benchmarks and that most benchmarks based on historical data are based on more historical data than NERGas has collected in this case. He indicated there were not service quality industry standards for gas utilities. However, he was also aware of the existence of some service quality plans for energy utilities that utilize benchmarks that are less frequent than annual. Furthermore, Dr. Kaufmann indicated that the maximum service quality penalty in Massachusetts for a gas utility is 2 percent of its distribution revenues.<sup>26</sup>

Under cross-examination by Commission counsel, Mr. Kaufmann admitted that NERGas' safety measures were "a matter of life and death, which makes NERGas unique among Rhode Island utilities". He also conceded that under NERGas' proposal, NERGas could have deficient performance for four to five months and still not incur a penalty.<sup>27</sup> Dr. Kaufmann accepted that it would be appropriate to have a larger penalty placed on service quality plans with safety measures. Also, he agreed that although Verizon-Rhode

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<sup>24</sup> Tr. 5/5/03, pp. 23-27.

<sup>25</sup> *Id.*, pp. 27-30.

<sup>26</sup> *Id.*, pp. 61, 82, 119 and 123.

<sup>27</sup> *Id.*, pp. 154-155 and 157.

Island ("VZ-RI") is under greater competitive pressure than NEGas, under NEGas' proposal it would have a smaller percentage of its revenues at risk than VZ-RI.

Dr. Kaufmann acknowledged that if recent performance is markedly better than past performance then the past performance is less relevant and the more recent data should be given more weight.<sup>28</sup>

Under cross-examination by the Commission fiscal analyst, Dr. Kaufmann indicated that he supported a moving average benchmark but "in general you would want the benchmark only tightened up". Also, Dr. Kaufmann stated that the Commission could "impose additional penalties" for "clearly substandard performance."<sup>29</sup>

At the May 6, 2003 hearing, Ms. Karen Czaplewski and Mr. Meunier testified on behalf of NEGas. Under cross-examination by the Division, Mr. Meunier acknowledged that during the Division's merger proceeding, Southern Union and Providence Gas made representations that customer service and operations would improve as a result of the merger.<sup>30</sup> Under cross-examination by the Commission, Ms. Czaplewski acknowledged that it is possible to use a year's worth of data to establish a benchmark. Furthermore, Mr. Czaplewski admitted that a few years ago when she arrived at NEGas, the performance for the call center measures "were...horrendous". On redirect, Mr. Meunier indicated that some of the Division's benchmarks are less stringent than the benchmarks proposed by NEGas.<sup>31</sup>

At the May 15, 2003 hearing, Mr. Richard LeLash testified on behalf of the Division. Mr. LeLash indicated that there are limitations on industry data for service

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<sup>28</sup> *Id.*, pp. 164, 166 and 169-171.

<sup>29</sup> *Id.*, pp. 178, 179.

<sup>30</sup> Tr. 5/6/03, pp. 15-16 and 24.

<sup>31</sup> *Id.*, pp. 177, 202 and 236.

measures but they are still useful in setting benchmarks.<sup>32</sup> Under cross-examination by NEGAs, Mr. LeLash conceded that the level of service that a company provides to its customers over time is relevant to establishing benchmarks. Also, Mr. LeLash indicated that offsetting exists within a quarterly benchmark and not between benchmarks, because one month's poor performance can be offset by good performance in the other two months.<sup>33</sup> Under cross-examination by Commission counsel, Mr. LeLash indicated that in Georgia, penalties are, in some instances, assessed monthly. He also stated that leak survey measures could be part of a service quality plan and stated that billing accuracy measures are included in other service quality plans.<sup>34</sup> Mr. LeLash acknowledged that a larger multi-state corporation may need to be subject to a larger service quality penalty in order for a commission to get the corporation's attention.<sup>35</sup> Under redirect examination, Mr. LeLash stated that NEGAs should have no problem achieving the Division's proposed benchmarks for the first year and probably no problem during the second year either.<sup>36</sup>

## VIII. Briefs

### A. NEGAs

On June 23, 2003, NEGAs filled its brief and SQP synopsis. NEGAs reiterated the eight performance measures it originally proposed. However, NEGAs revised its definition of "percentage of abandoned calls" so as to include automated calls to make it more consistent with other gas utilities and also included automated calls in the performance benchmarks calculation. As a result of the hearings, NEGAs proposed

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<sup>32</sup> Tr. 5/15/03, pp. 10-11.

<sup>33</sup> *Id.*, pp. 22, 67.

<sup>34</sup> *Id.*, pp. 73, 87.

<sup>35</sup> *Id.*, p. 105.

<sup>36</sup> *Id.*, pp. 143-144.

setting performance benchmarks using historical data from July 1, 2002 through June 30, 2003.<sup>37</sup> The deadbands and benchmarks were as follows:

<u>Measure</u>	<u>Benchmark</u>	<u>Deadband</u>	<u>Penalty Threshold</u>
Abandoned Call Rate	5.38%	2.40%	7.8%
Calls Answered w/in 60 sec.	79.44%	8.54%	71.0%
On-Cycle Meter Reads	94.52%	1.18%	93.3%
Meter Testing	15,000		15,000
Customer Requested Meter Testing	97.9%	5.50%	92.4%
Service Appointments Met	97.6%	1.30%	96.3%
Leak Response in 30 min	89.66%	2.69%	87.0%
Leak Response in 45 min	89.67%	2.80%	86.9%

Furthermore, the benchmarks would be updated each year to include the most recent 12 months of performance. Once three years of data is collected, benchmarks and deadbands could be calculated using three annual data points. NEGas indicated that pre-merger data and data collected during the work stoppage was not representative of a normal year. Also, NEGas could incur a penalty if its performance over the 12 month fiscal year fell below the penalty threshold for any one of the six non-safety measures. However, the two safety measures would be evaluated quarterly and NEGas would incur a penalty if performance was below the penalty threshold for any quarter. NEGas indicated that penalties or offsets would be assessed when performance exceeds one standard deviation with the maximum penalty assessed at two standard deviations of the

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<sup>37</sup> As an example of this approach, NEGas utilized the data collected from June 1, 2002 through May 30, 2003.

benchmark. However, there would be no offsets to poor performance for safety measures.<sup>38</sup>

#### B. Division

On June 23, 2003, the Division filed its brief. The Division argued that NEGAs' SQP should be designed to improve service for ratepayers and that NEGAs promised to improve service before the Division's approval of the merger. The Division advocated for quarterly assessment of penalties. In addition, the Division opposed deadbands for each performance benchmark and offsets between performance benchmarks. Furthermore, the Division suggested that the performance benchmarks be subject to an annual review and that only the Commission should be allowed to determine if data should be excluded because of an exogenous event or force majeure.<sup>39</sup>

#### C. Union

On June 24, 2003, Local No. 12431 filed its brief. Local No. 12431 supported the Division's position in the docket. In addition, Local No. 12431 filed a motion to strike the testimony of Ms. Czaplewski except in regards to call center issues because of lack of expertise.<sup>40</sup>

### COMMISSION FINDINGS

At an open meeting on June 30, 2003, the Commission reviewed the evidence and arguments. The Commission adopted NEGAs' SQP revised by its June 23, 2003 brief with significant modifications. The Commission determined that the SQP revised on

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<sup>38</sup> NEGAs' SQP Synopsis and Brief.

<sup>39</sup> Division's Brief.

<sup>40</sup> Local No. 12431's Brief and Motion to Strike. At the June 30, 2003 open meeting the Commission did not grant Local No. 12431's motion. Instead, the Commission gave Ms. Czaplewski's testimony the appropriate weight.

June 23, 2003 with modifications was in the public interest and in the best interest of the ratepayers.

The general purpose of a service quality program is to ensure that ratepayers receive a reasonable level of service. In a competitive market, there is less need for government intervention to establish service quality standards in an industry because competition requires an enterprise to provide reasonable quality of service or face the possibility that customers will shift to another competitor. In this instance, NEGas does not experience direct competition for natural gas delivery service in Rhode Island. As a result, a service quality program for NEGas is an appropriate safeguard.<sup>41</sup> A service quality program for NEGas is now more necessary to ensure that the costs associated with the Southern Union merger acquisition of ProvGas and Valley Gas are not recouped through reductions in personnel costs and the resulting reduction in service quality.

There are essentially five key aspects of any service quality program. They are as follows: service measures, benchmark standards, the amount of the penalty, the penalty weight for each measure, and the time period for measuring performance to assess a penalty.

#### I. Service Measures

NEGas proposed eight service measures: percentage of abandoned calls, average speed of answer, on-cycle meter reads, testing of meters, customer-requested meter test, service appointment met as scheduled, response to emergency calls during normal business hours, and response to emergency calls after normal business hours. These service measures allow this Commission to evaluate the performance of NEGas over a

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<sup>41</sup> The Commission has broad authority under R.I.G.L. §39-1-1, 39-1-27.5, 39-1-38, and 39-2-1 to establish service quality programs for public utilities.



wide range of services. The Commission expressed a concern that other service measures should be developed such as billing accuracy and leak detection.<sup>42</sup> However, NEGas has not collected any data for other service measures.<sup>43</sup> If the Commission feels it is necessary to develop additional service measures, the Commission will hold a technical conference.<sup>44</sup> Accordingly, the Commission adopts the eight service measures proposed by NEGas. These eight service measures are comparable to the measures utilized by other state commissions to measure service performed by local gas distribution companies.

## II. Benchmark Standards

The benchmark standards for the service measures was an area of significant controversy. Originally, NEGas proposed benchmark standards based on NEGas or its predecessors' performance dating, in some instances, over four years with a deadband in which no penalty would be incurred. In contrast, the Division established benchmark standards that gradually increased over three years with no deadband/standard deviation. The flaw in the original NEGas' approach was that it based benchmark standards on clearly outdated historical data. Since the merger and the end of the 2002 lock-out,

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<sup>42</sup> Leak detection is of concern to the Commission because NEGas acknowledged that the "legacy companies were conducting their leakage survey programs under a misinterpretation and application of the federal regulations." Federal regulation "called for the follow-up survey to occur within 36 months." NEGas "expects to achieve full compliance in 2004." 5/15/03 Record Response 1-02.

<sup>43</sup> NEGas should begin to track emergency response times beyond the 30 and 45 minute time intervals, and be prepared to explain the reasons why a response went beyond the benchmark time intervals.

<sup>44</sup> The Commission will take this opportunity to express its concern that NEGas "has indefinitely postponed the implementation of the AMR program in the former Valley service area." 6/2/03 Record Response 1-01. The implementation of AMR to the Valley service area would increase the percentage of actual meter reads that are assigned to be read. See NEGas Ex. 2, p. 8. AMR could also assist NEGas in achieving better billing accuracy. See 5/15/03 Record Response 1-03. Lastly, NEGas represented to the Commission during hearings for approval of the Settlement in Docket No. 3401 that NEGas planned to implement AMR in the Valley service area. Ms. Partridge testified that AMR would "give the customers better information of actual reads." Docket No. 3401, Tr. 5/8/02, pp. 23-25. The lack of AMR in the Valley area impacts service quality and the Commission reserves the right to require NEGas to implement AMR in the Valley service area during the rate freeze period in the Settlement approved by the Commission in Docket No. 3401 or any other action it deems reasonable.

NEGas' overall performance has improved. Basing benchmark standards on older and less relevant historical data would only set a low and easy standard for NEEgas to surpass. The Division is correct that benchmark standards should be established to improve services that customers experienced prior to the merger. Unfortunately, the Division's benchmark standards are not based on an objective rationale. There appears to be a lack of industry-wide benchmark standards. Instead, the Division proposed a gradual increase in benchmark standards over the course of three years. Ironically, some of NEEgas' proposed benchmark standards were actually more stringent than the Division's proposed benchmark standards.

Fortunately, NEEgas revised its original proposal by basing the benchmark standards on the 12 most recent months of data and utilized June 2002 through May 2003 as an example.<sup>45</sup> This data reflects the improvements subsequent to the merger and does not incorporate data affected by the lock-out.<sup>46</sup> These benchmark standards, even with a deadband based on a standard deviation, would establish penalty thresholds above the levels the Division proposed for the second year of the SQP.<sup>47</sup> For the first year of the SQP, NEEgas proposed to base the benchmarks on the most recent months of data from July 2002 to June 2003. The Commission accepts this methodology and these benchmark standards. These benchmark standards are based on historical data but represent an improvement in service quality since the merger and mirrors the standards required of

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<sup>45</sup> This methodology was based on a Commission record request 1-02 dated June 2, 2003.

<sup>46</sup> For instance, NEEgas acknowledged that meter testing was affected by the work stoppage and, therefore, performance from January 2002 to May 2002 "should be excluded" from SQP benchmarks. June 2, 2003 Record Response 1-03.

<sup>47</sup> The benchmarks proposed by NEEgas in its brief are nearly identical to the Division's proposed benchmarks for the third year of the SQP and the "typical industry benchmarks" according to the Division. PUC Ex. 1 (Division Data Response 1). Over time, the Commission could consider reducing or eliminating the deadband. In particular, the Commission is concerned that the leak response benchmarks may need to become more stringent.

other local gas utilities. In addition, NEGas proposed to annually revise the benchmark standards by incorporating new data from subsequent years. The Commission finds this approach to be reasonable. However, the Commission may decide not to incorporate new data if it will result in less stringent benchmark standards unless NEGas can demonstrate that this poor performance was not caused by NEGas itself, such as by reducing its service personnel to achieve merger savings.

### III. Penalty Amount

NEGas and the Division proposed that the potential penalty for the SQP should be limited to \$500,000 annually or .4 percent of NEGas' annual distribution revenues. The Commission finds this amount to be inadequate to incent NEGas to provide quality service. The penalty amount for a service quality plan should be sufficient to deter a utility from providing poor services. The amount of \$500,000 is not large enough to incent NEGas. NEGas could incur reduced personnel costs and incur \$500,000 in SQP penalties but the personnel reductions could be greater than \$500,000 for NEGas.

In contrast, under its SQP, VZ-RI is subject to an annual \$1.35 million penalty or .5 percent of its revenue. In addition, under its SQP, Narragansett Electric is subject to an annual \$2.4 million penalty or 1.1 percent of its revenues.<sup>48</sup> The quality of service from a gas utility is particularly important because some services, such as leak response, are a matter of "life and death". This makes gas utilities' services unique among all utilities. It is not surprising that in Massachusetts gas utilities have 2 percent of their revenue at risk under their service quality plans.

At this time, the Commission finds a potential penalty amount of \$1.25 million every fiscal year, or 1 percent of NEGas' revenues at risk, to be reasonable. The

<sup>48</sup> PUC Ex. 1 (Div. Data Response 2)

Commission could have required a larger percentage to be at risk for NEGas under the SQP. However, NEGas, in its brief, proposed more stringent benchmark standards than the Division. These benchmark standards are based on limited historical data. Also, the Commission has imposed potential quarterly penalties for the safety measures. In addition, the Commission has not allowed for offsets of penalties for one service measure if other service measures exhibit good performance. Furthermore, the Commission recently imposed a potential \$500,000 gas procurement penalty.<sup>49</sup> In light of these additional requirements, the Commission determines that 1 percent of revenue at risk is sufficient at this time. Of course if the Commission finds that \$1.25 million is an insufficient incentive, especially if safety measures demonstrate poor performance, the Commission may increase the penalty amount at risk.

#### IV. Weight of Penalty

NEGas proposed that the weight of the penalties for the service measures be as follows: 48 percent for leaks response measures, 24 percent for call center measures, 16 percent for meter testing, and 12 percent for service appointments. In contrast, the Division proposed the penalty weight as follows: 32 percent for leak response measures, 24 percent for call center measures, 24 percent for meter testing measures, and 20 percent for service appointments. NEGas places more penalty weight on safety measures than proposed by the Division. Instead, the Division places additional weight on meter testing and service appointments. The uniqueness and importance of a SQP for NEGas is that NEGas' services can be a matter of "life and death". NEGas' leak response measures are safety measures that if NEGas failed to adequately meet these service measures, physical

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<sup>49</sup> If actual combined gas procurement and service quality penalties imposed on NEGas actually exceeded \$1.25 million in a single fiscal year, NEGas could petition the Commission for relief.

injury could result to ratepayers. NEEGAS' proposal to place 48 percent of the penalty weight on leak responses more appropriately reflects the importance that the Commission and ratepayers place on these measures. Accordingly, the Commission adopted NEEGAS' proposal for penalty weights of the service measures.

#### V. Penalty Assessment

Penalty assessment was an area of significant controversy between the parties. NEEGAS proposed that penalties be determined on an annual basis with offsets to the penalties for measures, except safety measures, if NEEGAS' performance is better than the benchmark. In contrast, the Division proposed that penalties be determined on a quarterly basis with no offsets to penalties for better performance in other service measures. Also, NEEGAS argued that penalties should only be assessed if NEEGAS' performance falls below the deadband while the Division argued that there should be no deadband. In determining how often to review the period of performance it is important to assess the importance of the service measures and the historical validity of the data used to set the benchmarks. Due to the fact that the benchmarks are being set using very recent data, only the twelve months ending June 30, 2003, it would be more reasonable to establish the penalty determination on an annual basis. To establish quarterly or even monthly benchmarks, based on this limited historical data, could cause NEEGAS to incur penalties for performance which are appropriate under circumstances not incorporated in the historical data. As more historical data is collected, a move to quarterly or monthly benchmarks would be appropriate. Of course, if the Commission determines that an annual benchmark is not a sufficient incentive for NEEGAS to provide a reasonable service throughout the year, the Commission may consider establishing quarterly or monthly

benchmarks. At this time, however, the Commission will establish quarterly benchmarks for only the two safety measures. The safety measures relating to leak response are a matter of life and death. These safety measures are of the utmost importance to ratepayers and should have quarterly benchmarks to ensure NEGas' performance for these measures will protect the public. As for the issue of a deadband or standard deviations, the Commission notes that both the service quality plans for Narragansett Electric and VZ-RI have some form of a standard deviation, or deadband. A standard deviation/deadband is appropriate, because as a general matter, a utility should not incur a large penalty if it fails the benchmark by a de minimus amount. Accordingly, the Commission will accept a standard deviation for the service measures. However, if the Commission notes that NEGas' performance is consistently below the benchmarks, but within the standard deviation, the Commission may revise the approach so that NEGas would pay some penalty even if its performance falls within the standard deviation.

As for the issue of offsets, NEGas' approach would allow bad performance in some measures to be offset by good performance in other measures. The Commission is moving away from this approach. A standard deviation allows, to some extent, for an offset of bad performance. Also, quarterly and annual benchmarks allow for poor performance in any one month to be offset by good performance in the same measure in other months. Quarterly/annual benchmarks and a standard deviation is a sufficient offset. The Commission does not want to create offsets between measures because it would allow utilities to ignore poor performance in certain service measures.

## VI. Miscellaneous

The duration of the SQP will be at least three years. However, the Commission may review the SQP annually to ensure that NEGas is providing quality service. Furthermore, NEGas must report all data collected quarterly. If NEGas contends that an exogenous event or a force majeure occurred, it must seek relief from the Commission and the burden of proof will be on NEGas.

Accordingly, it is

(17605) ORDERED:

1. New England Gas Company's proposed Service Quality Plan, filed on September 30, 2002 is denied.
2. New England Gas Company's proposed eight service measures are adopted.
3. New England Gas Company's proposed methodology for the benchmarks with the proposed deadbands on page three of the SQP Plan Synopsis filed on June 23, 2003 is adopted.
4. New England Gas Company's proposed weights for penalties for the service measures are adopted.
5. New England Gas Company's proposed annual benchmarks are adopted except for the two safety measures which will be assessed quarterly.
6. New England Gas Company's proposed offsets are denied.
7. The penalty amount for New England Gas Company's Service Quality Plan is \$1.25 million per fiscal year.
8. New England Gas Company will comply with all other finding and instructions contained in this Report and Order.

EFFECTIVE IN WARWICK, RHODE ISLAND ON JULY 1, 2003 PURSUANT  
TO AN OPEN MEETING ON JUNE 30, 2003. WRITTEN ORDER ISSUED  
NOVEMBER 21, 2003.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman\*

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Kate F. Racine, Commissioner

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Brenda K. Gaynor, Commissioner\*

\*Chairman Germani dissented regarding the issue of offsets. Chairman Germani would allow for offsets between service measures for good performance by NEGas.

\*Commissioner Gaynor concurs but is unavailable for signature.



MEMORANDUMAtt. DTE-A-3-1(b)  
(NEG)

TO: Missouri Public Service Commission Official Case File  
Case No. GM-2000-500, Southern Union Company and  
Providence Energy Corporation.

FROM: Ron Bible, Financial Analysis Department *PB*  
Anne Allee, Procurement Analysis Department *AA*  
Debbie Bernsen, Management Services Department *DB*  
Janet Hoerschgen, Consumer Services Department *JH*  
Chuck Hyneman, Accounting Department *CH*

*Ronald L. Bible* 6/15/00  
Project Coordinator / Date

*Thomas R. Schuman* 6/15/00  
General Counsel's Office / Date

SUBJECT: Staffs Recommendation for approval of the Application of Southern Union  
Company and Providence Energy Corporation for authority to merge.

DATE: June 15, 2000

Introduction

On February 17, 2000, Southern Union Company (Southern Union or Company) filed its Application with the Missouri Public Service Commission (Commission) seeking approval for Southern Union to acquire the stock of and to merge with Providence Energy Corporation (ProvEnergy). The merger agreement calls for ProvEnergy to merge into Southern Union in a transaction valued at approximately \$400 million, including assumption of debt. If approved, each ProvEnergy shareholder will receive \$42.50 in cash per share of ProvEnergy common stock. Appendix 1 of the Application is the "Agreement and Plan of Merger among Southern Union Company, GUS Acquisition Corporation and Providence Energy Corporation" dated November 15, 1999 (Merger Agreement). If this merger transaction is completed, Southern Union will serve approximately 1.5 million gas, electric, oil, and propane customers in Rhode Island, Massachusetts, Pennsylvania, Texas, Missouri, Florida, Connecticut, and Mexico.

Effective November 4, 1999, Southern Union acquired Pennsylvania Enterprises, Inc. (PEI) and its subsidiaries. This merger was approved by the Commission in Case No. GM-2000-43, in its Order Approving Stipulation and Agreement dated October 21, 1999. PEI's natural gas utility businesses are being operated as PG Energy, a division of Southern Union. Through the acquisition of PEI, Southern Union acquired and now operates a subsidiary that markets electricity and other products and services under the name PG Energy Power Plus. Other subsidiaries that Southern Union acquired in the PEI merger engage in various non-regulated activities. These activities include the construction, maintenance and rehabilitation of natural gas distribution pipelines and the sale of property for residential commercial development.

MO PSC Case No. GM-2000-500  
Official Case File Memorandum  
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In addition to ProvEnergy, Southern Union has pending merger agreements with Fall River Gas Company (dated October 4, 1999) and Valley Resources, Inc. (dated November 30, 1999). Fall River Gas Company serves approximately 48,000 customers in southeastern Massachusetts. Valley Resources Inc. provides natural gas utility service to approximately 63,000 customers through its subsidiaries, Valley Gas Company and Bristol & Warren Gas Company, in northeastern and eastern Rhode Island.

Southern Union primarily engages in the distribution of natural gas and serves more than 1.2 million customers through its four natural gas divisions in Texas, Missouri, Pennsylvania and Florida, its propane distribution subsidiaries, and its equity ownership in a natural gas distribution company serving Piedras-Negras, Mexico. Through its subsidiaries, Southern Union also markets natural gas to end users, operates natural gas pipeline systems and is engaged in electricity generation and marketing.

Southern Union's principal line of business is the distribution of natural gas as a public utility through Southern Union Gas, Missouri Gas Energy (MGE), PG Energy and Atlantic Utilities, doing business as South Florida Natural Gas, each of which is a division of Southern Union. Southern Union Gas, headquartered in Austin, Texas, serves approximately 523,000 customers in Texas. MGE, headquartered in Kansas City, Missouri, serves approximately 487,000 customers in central and western Missouri. PG Energy, headquartered in Wilkes-Barre, Pennsylvania, serves approximately 154,000 customers in northeastern and central Pennsylvania. South Florida Natural Gas, headquartered in New Smyrna Beach, Florida, serves approximately 5,000 customers in central Florida.

ProvEnergy is a distributor and marketer of natural gas, heating oil and petroleum products, as well as a marketer of electricity and energy services. ProvEnergy serves approximately 181,000 customers in Rhode Island, Massachusetts and Connecticut. Its principal subsidiaries within its regulated operations include The Providence Gas Company (ProvGas) and North Attleboro Gas Company (collectively referred to as the "Gas Companies"). Its retail non-regulated operations include ProvEnergy Services, ProvEnergy Fuels and ProvEnergy Power.

The Gas Companies' distribution systems consist of approximately 2,400 miles of gas mains, approximately 146,000 services and approximately 173,000 active gas meters. ProvGas, Rhode Island's largest natural gas distributor, was founded in 1847 and serves approximately 168,000 customers. North Attleboro Gas Company serves approximately 4,000 customers in Massachusetts, and towns adjacent to the northeastern Rhode Island border. The total natural gas service territory of the Gas Companies encompasses 760 square miles and has a population of approximately 853,000.

According to ProvEnergy's annual report filed with the SEC, Form 10-K filed on December 22, 1999, ProvEnergy will operate as an autonomous division of Southern Union, and ProvEnergy's Chairman and Chief Executive Officer, James H. Dodge, will become a member of Southern Union's Board of Directors.

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Peter H. Kelley, Southern Union's president and chief operating officer described the merger with ProvEnergy in a May 24, 1999 press release as "building greater shareholder value by expanding our geographic service territory." Describing all three of Southern Union's pending mergers, Mr. Kelley said, "these mergers strengthen Southern Union's competitive position in the attractive Northeast energy market."

Mr. Kelley elaborated on Southern Union's reasons for the three pending mergers in his direct testimony before the Massachusetts Department of Telecommunications and Energy (DTE) in the Joint Petition of North Attleboro Gas Company, Providence Energy Corporation and Southern Union Company for Approval of Merger, DTE Case No. 00-26:

Southern Union sought the three pending mergers in the New England area (ProvEnergy, Fall River Gas Company, and Valley Resources, Inc.) for strategic purposes. By expanding the geographic diversity of its operations, Southern Union will further reduce its dependence on economic and weather conditions in any single operating region. Thus, the stability of the Company's earnings and cash flow will be enhanced. Also, as a result of the merger, Southern Union will extend and enhance the scope of its operations in the northeastern United States beyond its recently completed Pennsylvania acquisition.

In entering into these mergers, Southern Union recognized that these companies and Southern Union have compatible business perspectives, providing the opportunity to effectively coordinate our operations. The assimilation of these new gas divisions into our existing structure will enable us to improve operations throughout the Company by identifying and adopting best practices from each of the operating divisions. Although the Company's primary motivation in arranging the mergers is strategic, some savings, as explained in the testimony of Ronald Endres, are likely to be realized as a result the coordination of corporate and gas distribution activities. More importantly, customer service will be enhanced over time. Through the expansion of its customer base, deployment of new technologies becomes more economical. Introducing new technologies will enhance our customer service and will improve our gas distribution operations in an unbundled, competitive marketplace. As a result, Southern Union will be well positioned to control rates and improve service for the benefit of customers.

#### Acquisition Adjustment

According to Southern Union's Chief Financial Officer, Mr. Ronald J. Endres, in his direct testimony in DTE Case No. 00-26, Southern Union will incur a acquisition premium of approximately \$161.3 million. This amount, plus merger transaction costs, will be recorded as an acquisition adjustment on Southern Union's balance sheet.

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At September 30, 1999, Southern Union had an acquisition adjustment (principally from its acquisition of MGE in 1994) of \$133 million on its books and records. The acquisition of PEI caused Southern Union to recognize an additional \$259.5 million, for a total company acquisition adjustment balance of \$392.5 million. If the proposed acquisition of ProvEnergy is completed, Southern Union will have an acquisition adjustment balance of approximately \$554 million.

Although, as described below, Southern Union is not proposing explicit rate recovery of the ProvEnergy merger premium in Missouri, the Staff still has a concern about the rapid increase in the acquisition adjustment account on Southern Union's balance sheet. If Southern Union does not recover its acquisition adjustment (or merger premium) explicitly in rates, or indirectly through earnings above its authorized rate of return on rate base, there will be financial pressure on the Company to increase earnings through whatever means possible. The Staff addressed these concerns in the language of the Stipulation and Agreement agreed to in Southern Union's acquisition of PEI in Case No. GM-2000-43 and believes that Southern Union has adequately addressed these concerns in its Application in this case.

In paragraph 18 of the Application, Southern Union provides a list of conditions it is willing to agree to if the Commission approves this Application. These conditions are substantially the same conditions agreed to by the parties in the Stipulation and Agreement to Case No. GM-2000-43, Southern Union's Application for authority to acquire and merge with PEI.

In its review of the Application, Staff noted what it believed was language that was deficient in addressing Customer Service concerns. As a result of Staff discussions with the Company on this subject, Southern Union submitted its Amended Application on May 22, 2000. In the Amended Application, Southern Union deletes paragraph 19 of the Application and substitutes in lieu thereof the following:

19. Southern hereby ratifies and confirms its commitment to the Customer Service Performance Measures, Company Response to Customer Service Measures, Customer Complaints/Inquiries to Staff and Customer Service Operating Procedures set forth in paragraph 2(a)-(d) of the Unanimous Stipulation and Agreement filed with the Commission in Case No. GM-2000-43 and approved by the Commission in its October 21, 1999, Order Approving Stipulation and Agreement in said case, provided that, Southern Union, Staff and the Office of the Public Counsel may mutually agree to modify or eliminate any of the requirements set forth therein after a period of three years of reporting after the effective date of the order in this case.

In all other respects the Application heretofore filed on February 17, 2000, is restated, ratified and confirmed.

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In addition, Southern Union has agreed, in its Application, to the following conditions:

1. Customer Service

In order to assist in making determinations regarding the level of service being provided to the customer, the Joint Applicants, Staff and OPC have established a series of performance measures to measure some components of customer service for Southern Union's Missouri Gas Energy customers. The measures are similar in nature to the measurements agreed to in Case No. EM-97-515, Western Resources, Inc and Kansas City Power & Light Company. This is being done to ensure that this merger will have no adverse effect on the level of customer service to post-merger MGE customers. This Agreement also contains reporting requirements to enable the Staff and OPC to monitor various other components of customer service following the closing of the merger.

Southern Union will ensure that the merger will have no adverse effect on MGE's efforts to provide high quality service to its customers. Southern Union, through its MGE operating division, agrees to the customer service performance measures as summarized below:

a.) Customer Service Performance Measures

- Average Abandoned Call Rate (ACR) is not to exceed 7.5% on an annual basis plus a 100 basis point variance (a maximum allowable level of 8.5%) for the calendar year beginning January 1, 2000.
- Average Speed of Answer (ASA) is not to exceed 65 seconds plus a 25 percent variance of 16 seconds annually (a maximum allowable level of 81 seconds) for the calendar year of January 1, 2000 through December 31, 2000. Thereafter, the measurement will be 65 seconds plus a 15 percent variance of 10 seconds annually (a maximum allowable level of 75 seconds).<sup>1</sup>

The base measurements of 7.5% and 65 seconds represent MGE's average actual performance during the July 1997 through June 1999 twenty-four month baseline period.

Future changes made to the annual average abandoned call rate and/or annual average speed of answer measurements established, if any, will have to be based on valid studies/analysis to determine whether such changes will result in providing efficient and economic performance.

b.) Company Response to Customer Service Measures

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<sup>1</sup> MGE has plans to implement an automated work order system and other automation improvements in its customer service operations during the year 2000. In recognition of this plan, an additional twenty five percent was added to the ASA measurement to allow for possible variances attributable to this implementation during the first twelve month period.

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The Company shall provide the Staff and OPC quarterly reports (within 45 days of quarter-end) on the Customer Service Measures. Statistics for the measures shall be tracked and recorded monthly; reported to Staff and OPC on a calendar year quarterly basis and assessed for compliance annually. Within ninety (90) days after the end of the calendar year, the Company shall submit a draft report to the Staff and OPC which shall include actual performance measures for the year, explanation of any deviation above the measures, actions to be undertaken to eliminate the deviations above the measures and estimates of the cost of such actions. The Staff and OPC shall provide a response to the Company's draft report within thirty (30) days. The Company shall file a final report with the Commission 150 days after the end of the calendar year.

If the Customer Service Measures exceed the 24-month baseline averages for the measures identified, MGE will initiate the following responses.

- Should the actual Service Measures exceed for any calendar year, the 24-month baseline average identified, MGE shall provide the Staff and OPC a written explanation of why MGE believes these figures have increased.
- Should the actual Service Measure for any calendar year period exceed the maximum allowable levels, the Company shall also provide an estimate of the cost, if any, to improve the applicable measure to the 24-month baseline average Service Measure level. The Company shall expense or invest the appropriate amount in the next year to improve the Measure to the 24-month baseline average Service Measure level. The Company will credit to customers a like amount (annual revenue requirement) during the subsequent year for the year in which the indicator was exceeded. The credit may be booked to a deferred liability account, if the Company, Staff, and OPC agree, until a sufficient amount is accumulated to warrant a credit to customers. The credit will not be considered an Accounting Authority Order. The impact of emergencies, catastrophes, natural disasters, extreme adverse weather, extreme natural gas prices, sabotage, work stoppage or other unforeseen events beyond the Company's control shall be taken into account, in which case no credit or expenditure may be required.

c.) Customer Complaints/Inquiries to Staff

For purposes of this section, customer complaints/inquiries include contacts the Staff receives from MGE's customers, but are not necessarily the result of MGE's violation of its tariffs or Commission rules.

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FISCAL YEAR	TOTAL COMPLAINTS / INQUIRIES	NO. OF CUSTOMERS (CALENDAR YR)	NO. OF CUSTOMER CONTACTS PER 1,000 CUSTOMERS
1998	1,095	480,077	2.28
1999	678	482,000	1.40

24 Month Average

1.84

Significant increases in the annual average number of complaints/inquiries of 1.84 per one thousand (1,000) customers will be explained by the Company and/or may prompt an investigation by the Staff and/or OPC. The impact of events beyond the Company's control will be taken into account in the Company's explanation and in any investigation by the Staff and/or OPC. The Staff shall provide Company and OPC quarterly reports (within 45 days of quarter-end) showing monthly information regarding the number and category of customer complaints/inquiries received by the Commission's Consumer Services Department.

d.) Customer Service Operating Procedures

The Joint Applicants agree that the present practices of MGE in the following areas will be continued, or improved upon to ensure that customers do not experience a decline in service levels.

- Company will adhere to Commission rules and MGE's approved tariffs.
- Company will, consistent with Commission rules, attempt to collect at customer premises prior to service discontinuance. If payment is not made to collector, payment can be made at the Company's available public business offices, pay stations or through auto-pay.
- Company will restore service five (5) days a week, subject to exceptions for holidays, consistent with Commission rules, and will at all times make a reasonable effort to restore service on the day requested once the reason for the discontinuance is remedied and the request for service is made. In no event shall service be restored later than the next business day following the date requested by the customer.
- Company will use bill test procedures to ensure bill accuracy.
- Company will take appropriate steps to maintain the operation of its automated meter reading system.
- Company will notify Staff and OPC of substantive changes in customer service procedures in call center operations and staffing, customer billing, meter reading, customer remittance, credit and collections, and connection and disconnection.
- Company will identify (1) personnel responsible for handling Commission complaints and ensure they have proper authority, (2) after hours contact personnel, and (3) management employee(s) accountable for ensuring MGE employees are trained in and maintain a working

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knowledge of Missouri customer service rules and regulations. Company will notify Staff and OPC of any changes in these personnel within three (3) business days of the changes.

- Company will continue the following programs: "Low Income Home Energy Assistance Program" (LIHEAP) participation, the "Neighbors Helping Neighbors" Program, the "Flexible Due Date Plan", the availability of "Customer Advisors".
- Company will identify the process and level of authority for discontinuance of service to a registered customer.
- Company will provide the Staff and OPC quarterly reports (within 45 days of quarter-end) containing customer service organization charts, customer service staffing, number of estimated bills (including consecutive estimates), list of customer pay station locations, and actual Missouri jurisdictional bad debt write-off by customer class, including the dollar amount written off, number of accounts written off and revenue by customer class.

The customer service measures are subject to renegotiations by the parties in the event of natural gas restructuring.

## 2. Merger Premium

The amount of any asserted merger premium (i.e., the amount of the total purchase price above net book value, including transaction costs), paid by Southern Union for ProvEnergy or incurred as a result of the acquisition shall be treated below the line for ratemaking purposes in Missouri and not recovered in rates. Southern Union shall not seek either direct or indirect rate recovery or recognition of the merger premium, including transaction costs, through any purported merger savings adjustment (or similar adjustment) in any future ratemaking proceeding in Missouri.

Southern Union reserves the right to seek Missouri rate recovery of internal payroll costs necessary to obtain Missouri regulatory approval of this transaction, to the extent that it can be shown that merger savings achieved and allocated to MGE as a result of this transaction are equal to or in excess of such costs. Other parties to this proceeding reserve the right to oppose rate recovery of such costs, regardless of any asserted merger savings.

In addition, Southern Union shall not seek to recover in Missouri the amount of any asserted merger premium in this transaction as being a "stranded cost" regardless of the terms of any legislation permitting the recovery of stranded costs from Missouri ratepayers.

## 3. MGE's Construction Budget

Southern Union agrees that the proposed acquisition will have no effect on its budget to complete MGE's service line and main replacement program and will continue to comply with the replacement schedules approved by the Commission in Case No. GO-99-302, and Case No. GO-91-277.



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**4. Joint and Common Costs Allocated to MGE**

Total joint and common costs allocated to Missouri will not increase as a result of the proposed transaction. Southern Union agrees to make available to the Staff and the Office of the Public Counsel (OPC), at reasonable times and places, all books and records and employees and officers of Southern Union and any affiliate, division or subsidiary of Southern Union as provided under applicable law and Commission rules. Southern Union agrees that, in any MGE-initiated rate proceeding, it has the burden of proving the reasonableness of any allocated or assigned cost to Missouri Gas Energy from any Southern Union affiliate, division or subsidiary, including all corporate overhead allocations.

**5. State Jurisdictional Issues**

- a.) Southern Union will retain all documentation relative to the analysis of the ProvEnergy acquisition. This documentation will include a list of: a) all Southern Union personnel, consultants, legal, financial and accounting advisors involved in the acquisition; b) the time (in hours) spent by those individuals on work related to the proposed acquisition; c) other expenses, costs or expenditures incurred or recognized by Southern Union that are related to the proposed acquisition; d) business entity (corporate, subsidiary, division) where the costs were booked, including account number, account description and amount; e) description of the nature of the costs incurred.
- b.) Southern Union will maintain its books and records so that all acquisition and merger costs (including this transaction and future Southern Union merger and acquisition transactions) are segregated and recorded separately.
- c.) During MGE's next general rate proceeding, Southern Union agrees to work with the Staff and OPC to identify all acquisition-related costs recorded in Southern Union's book and records in the appropriate test year. This condition does not restrict Southern Union's right to seek rate recovery of merger and acquisition costs related to future transactions.
- d.) Southern Union agrees to create and maintain records listing the names of Southern Union employees (excluding current ProvEnergy employees), number of hours worked, type of work performed and travel and other expenses incurred for all work related to ProvEnergy after the closing of the transaction through the end of the test year, updated test year or true-up test year in MGE's next rate case.
- e.) Southern Union will submit to the Commission's accounting department and OPC verified journal entries reflecting the recording of the proposed acquisition in Southern Union's books and records within forty-five (45) days of closing.

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6. Financial Issues

Southern Union will not seek an increase in Cost of Capital for MGE as a result of this transaction. Any increases in the Cost of Capital Southern Union seeks for MGE will be supported by documented proof: that the increases are a result of factors not associated with this transaction; that the increases are not a result of changes in business, market, economic, or other conditions for MGE caused by this transaction; or that the increases are not a result of changes in the risk profile of MGE caused by this transaction. Southern Union will ensure that the rates for MGE ratepayers will not increase as a result of this transaction.

7. ACA Issues

Southern Union agrees that any Stipulation and Agreement to which Southern Union is a signatory, with regard to any MGE Actual Cost Adjustment case approved by the Commission which occurs prior to the merger closing of Southern Union and ProEnergy, will be adhered to by Southern Union Company.

8. Allocations Agreements

Southern Union agrees that within six (6) months of the close of the merger, it shall meet with the Staff and OPC to discuss the impact of the ProEnergy acquisition on the Company's structure and organization, including Southern Union's progress toward incorporating ProEnergy's operations into its Administrative and General ("A&G") expense allocation methodology. In its A&G expense allocation methodology, the Company should specifically identify how its total company corporate overheads are to be allocated between the Company's regulated and non-regulated functions of its regulated divisions, as well as its non-regulated subsidiaries. The Company agrees that the types and the availability of raw data necessary to perform allocations of corporate overhead costs shall be discussed at the meeting to occur within six (6) months of the close of the acquisition. This raw data to be discussed should include, but not be limited to, regulated and non-regulated information concerning customer numbers and billing information, revenue data, asset information (gross and net plant, etc.), management work time allocations, employee numbers and other payroll data, and the Missouri jurisdictional rate of return on investment ("ROR") and return on equity ("ROE"). The allocation procedures to be discussed may include, but need not be limited to the use of cost allocation manuals, time sheets, time studies, and/or other means of tracking and allocating costs. The allocation procedures agreed upon should provide a means to identify and substantiate the portions of each individual corporate employee's time and associated payroll costs to be allocated to Southern Union's regulated divisions.

Recommendation

Staff finds that Southern Union's request, including the above-noted terms and conditions, is not detrimental to the public interest. Therefore, Staff recommends that Southern Union's Application, as amended, be approved, subject to said terms and conditions.

Service List for  
Case No. GM-2000-500  
June 15, 2000.

Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102

Paul A. Boudreau/James C. Swearengen  
Brydon, Swearengen & England P.C.  
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Jefferson City, MO 65102-0456

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

JUN 28 2000

BRIDON, SWEARENGEN  
& ENGLAND P.C.

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 27th  
day of June, 2000.

In the Matter of the Application of )  
Southern Union Company for Authority )  
to Acquire the Common Stock of and to )  
Merge with Providence Energy Corporation, )  
and, in Connection Therewith, Certain )  
Other Related Transactions. )

Case No. GM-2000-500ORDER APPROVING APPLICATION

On February 17, 2000, Southern Union Company (Southern Union) filed an Application asking that the Commission grant it the authority to acquire the stock of and merge with Providence Energy Corporation. Southern Union requested that the Commission approve its application effective no later than July 15, 2000. In order to comply with Southern Union's request for expedited consideration, the Commission issued an order on February 23 that directed the Staff of the Public Service Commission (Staff) to file its recommendation regarding Southern Union's application no later than June 15. That order provided that the Office of the Public Counsel (Public Counsel) might also file its recommendation on that date. On May 22, Southern Union filed an Amended Application that substituted a new paragraph 19 for the corresponding paragraph in its original application.

On June 15, Staff filed a Recommendation and Memorandum. Staff indicated that based on its review of Southern Union's Application, as

amended, and including the conditions indicated in that Application. Staff is of the opinion that Southern Union's request is "not detrimental to the public interest." Staff recommended approval of Southern Union's Application, as amended.

Public Counsel also filed its Recommendation on June 15. Public Counsel indicates that it does not oppose Southern Union's Application provided that the Commission adopts all of the conditions set forth in the initial Application and in the Amended Application filed on May 22.

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing in this case, the Commission may grant the relief requested based on Southern Union's Application, as amended, and the recommendations of Staff and Public Counsel.

The Commission finds that Southern Union's request for authority to acquire the stock of and merge with Providence Energy Corporation is not detrimental to the public interest and should be approved, subject to the conditions set forth in the Application, as amended.

**IT IS THEREFORE ORDERED:**

1. That the Application filed on February 17, 2000 by Southern Union Company, as amended on May 22, 2000, is hereby approved, subject to all of the conditions set forth in the Application, as amended.

2. That Southern Union Company is authorized to acquire the stock of and merge with Providence Energy Corporation, subject to all the conditions set forth in its Application, as amended.

3. That this order shall become effective on July 7, 2000.

BY THE COMMISSION

*Dale Hardy Roberts*

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

( S E A L )

Lumps, Ch., Drainer, Murray, Schemenauer,  
and Simmons, CC., concur

Woodruff, Regulatory Law Judge

STATE OF MISSOURI  
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,  
Missouri, this 27<sup>th</sup> day of June 2000.

*Dale Hardy Roberts*

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
JEFFERSON CITY  
June 27, 2000

CASE NO: GM-2000-500

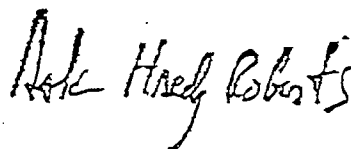
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Jefferson City, MO 65102

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge



# *Customer Service Performance*

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*2001*

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**Pennsylvania Natural Gas  
Distribution Companies**

**Pennsylvania Public Utility Commission  
Bureau of Consumer Services**

**2001 Report on  
Customer Service Performance**

**Pennsylvania Natural Gas  
Distribution Companies**

**Pennsylvania Public Utility Commission  
Bureau of Consumer Services**

**<http://puc.paonline.com>**

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## Introduction

The Natural Gas Choice and Competition Act (Act) requires that the natural gas distribution companies (NGDCs) are to maintain, at a minimum, the levels of customer service for retail gas customers that were in existence prior to the Act's effective date. In response, the Public Utility Commission (PUC) took steps to ensure the continued provision of high-quality customer service through the implementation of regulations that require the NGDCs to report statistics on important components of customer service (52 Pa. Code §§ 62.31-62.37) including telephone access to the company, billing frequency, meter reading, timely response to customer disputes, the proper response to customer disputes and payment arrangement requests, compliance with customer service rules and regulations, and interacting with customers in a prompt, courteous and satisfactory manner. After the Commission has received and analyzed an adequate supply of data from the measurements required under these regulations, it will develop quality of service benchmarks and standards for the NGDCs. The establishment of benchmarks and standards will be the subject of a future proceeding at the Commission.

The PUC adopted the final rulemaking that established the reporting requirements on January 12, 2000. As per the regulation, NGDCs that serve more than 100,000 residential customers began reporting the required data to the Commission in August 2001 for the first six months of that year and followed up with a report on annual activity in February 2002. NGDCs that serve fewer than 100,000 residential accounts are not required to report statistics on the various measures that are required of the larger companies. These smaller NGDC must conduct a mail survey of customers who contact them and report the survey results to the Commission beginning in 2003.

The last section of the reporting requirements provides for the Commission to annually produce a summary report on the customer service performance of each NGDC using the statistics collected as a result of the reporting requirements. The PUC's Bureau of Consumer Services (BCS) has summarized the information supplied by the NGDCs into the charts and tables that appear on the following pages. The report includes data supplied by Columbia Gas of Pennsylvania, Dominion Peoples, Equitable Gas Company, National Fuel, PG Energy and UGI Gas. The report does not include statistics from two NGDCs that serve more than 100,000 residential customers in Pennsylvania: PECO Energy Company (PECO) and Philadelphia Gas Works (PGW). PECO statistics are combined for both electric and gas and are included in the customer service performance report for the electric distribution companies. As PECO is unable to report quality of service data separately for electric and gas customers, the BCS plans to continue

reporting PECO data in this manner. PGW data will not be included in the annual customer service performance report until 2004.<sup>1</sup>

The reporting requirements at § 62.36 include a provision whereby the BCS is to report to the Commission various statistics associated with informal consumer complaints and payment arrangement requests that consumers file with the Commission. The BCS is to report a "justified consumer complaint rate", a "justified payment arrangement request rate", "the number of informally verified infractions of applicable statutes and regulations", and an "infraction rate" for each NGDC with more than 100,000 residential accounts. These statistics are also important indicators of quality of service. The BCS has calculated and reported these statistics for a number of years in its annual report, *Utility Consumer Activities Report and Evaluation: Electric, Gas, Water and Telephone Utilities*. The BCS will report the 2001 data in this report to be released in fall 2002. The report will be posted to the Commission's website: <http://puc.paonline.com>. It will offer detailed descriptions of each of these statistics as well as a comparison with statistics from the previous year.

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<sup>1</sup> The Commission assumed regulatory responsibility over PGW on July 1, 2000 and did not require PGW to file a restructuring plan until July 1, 2002. As a result, the reporting requirements did not apply to PGW in 2001. The company will begin reporting statistics for 2003.

## **I. Company-Reported Performance Data**

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In accordance with the quality of service reporting requirements, the NGDCs reported statistics for 2001 regarding telephone access, billing, meter reading and disputes not responded to within 30 days. For each of the required measures, the NGDCs report data by month and include a 12-month average. With the exception of the telephone access statistics and the small commercial bill information, the required statistics are directly related to the regulation in 52 Pa. Code Chapter 56 Standards and Billing Practices for Residential Utility Service.

### **A. Telephone Access**

The Reporting Requirements for Quality of Service Benchmarks and Standards include telephone access to a natural gas distribution company (NGDC) because customers must be able to readily contact their NGDC with questions, complaints, requests for service and to report service outages and other problems. This component of customer service may be next in importance to consumers after service reliability and safety.

In order to produce an accurate picture of telephone access, the NGDCs must report three separate measures of telephone access: percent of calls answered within 30 seconds, average busy-out rate and call abandonment rate. The three separate measures avert the possibility of masking telephone access problems by presenting only one or two parts of the total access picture. For example, an NGDC may report that it answers every call in 30 seconds or less. If only this statistic is available, one might conclude that the access to the NGDC is very good. However, if this company has only a few trunks into the company's call distribution system, once these trunks are filled, other callers receive a busy signal when they attempt to contact the company. Thus, a large percent of customers cannot get through to the company and telephone access is not very good at all. Therefore, it is important to look at both percent of calls answered within 30 seconds and busy-out rate to get a clearer picture of the telephone access to the NGDC.

Further, the call abandonment rate indicates how many customers drop out of the queue of customers waiting to talk to an NGDC representative. A high call abandonment rate is most likely an indication that the length of the wait to speak to a company representative is too long. Statistics on call abandonment are generally inversely related to statistics measuring calls answered within 30 seconds. For the most part, the 2001 figures presented later in this report conform to the inverse relationship. The NGDCs answering a high percent of calls within 30 seconds had low call abandonment rates and those answering a lower percent of calls within 30 seconds had higher call abandonment rates.

Generally, attempted contacts to a call center initially have one of two results: they are either "received" by the company or they receive a busy signal and thus are not "received" by the company. Calls in the "busy-out rate" on page 5 represent those attempted calls that received a busy signal or message; they were not "received" by the company because the company lines or trunks were filled.

For the calls that are "received" by the company, the caller has several options. One option is to choose to speak to a company representative. When a caller chooses this option, the caller enters a queue to begin a waiting period until a company representative is available to take the call. Once a call enters the queue, it can take one of three routes: it will either be abandoned (the caller chooses not to wait and disconnects the call); it will be answered within 30 seconds; or it will be answered in a time period that is greater than 30 seconds. The percent of those calls answered within 30 seconds is reported to the Commission. The percent that are answered in more than 30 seconds is the inverse of this percent. Thus, if 80% were answered within 30 seconds, 20% were answered in more than 30 seconds.

This report presents the NGDC statistics on telephone access in the following table and charts:

- **Busy-out Rate.** This is the ratio of calls to the NGDC's call center(s) that received a busy signal divided by the number of calls that were "received" by the call center(s).
- **Call Abandonment Rate.** As noted earlier, abandoned calls are those that successfully enter the queue to wait to speak to a company representative. However, at some point, the caller ended the call prior to speaking to a company representative.
- **Percent of calls answered within 30 seconds.** These are customers who were able to get into the company's call center queue and waited to speak with a representative of the NGDC.

## 1. Busy-Out Rate\*

Company	2001
Columbia	1%**
NFG	9%
PGEnergy	17%***
Equitable	18%****
Dominion Peoples#	Statistic Not Available
UGI#	Statistic Not Available

\* 12-month average

\*\* Columbia's actual overall statistics are not available. BCS calculated this statistic based on data from Columbia's individual call centers.

\*\*\* PG Energy's data is for July through December only.

\*\*\*\* Equitable's data is for the second six months of 2001 only and for the company's call center only, not for its emergency call number.

# The Commission granted these companies a temporary waiver of the section that requires reporting this statistic.

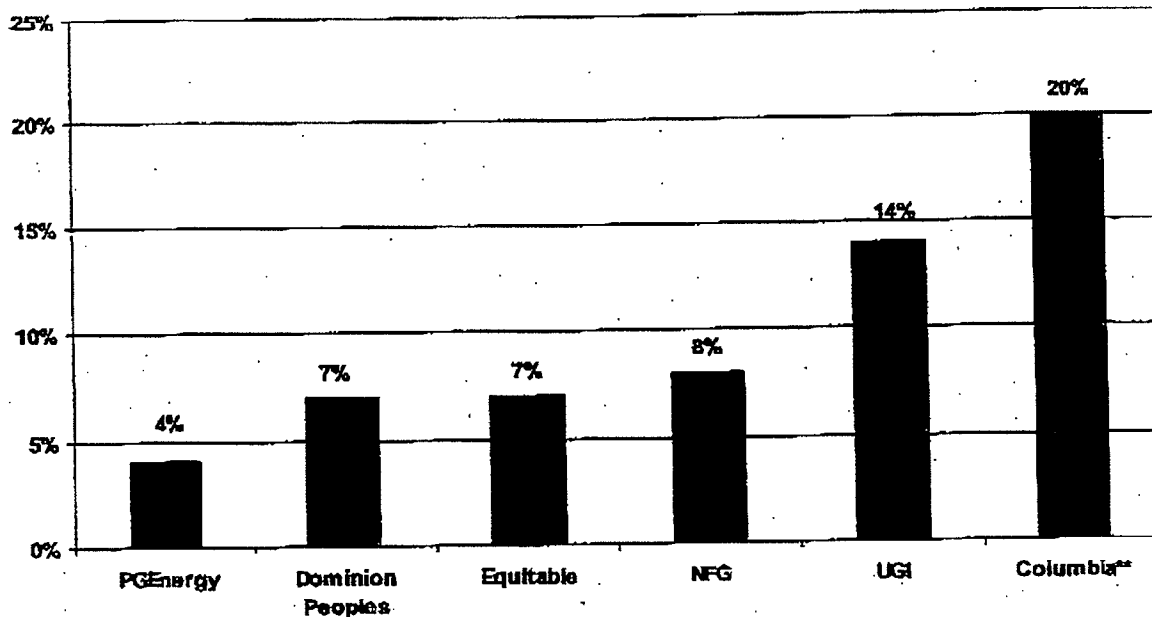
The Commission's Regulations require that the NGDCs report to the Commission the average busy-out rate for each call center, business office, or both. 52 Pa. Code § 62.32 defines busy-out rate as the number of calls to a call center that receive a busy signal divided by the total number of calls that are received at a call center. For example, an NGDC with a 10 percent average busy-out rate means that 10 percent of the customers who attempted to call the company received a busy signal (and thus did not gain access) while 90% of the customer calls were received by the company. If the NGDC has more than one call center, it is to supply the busy-out rates for each center as well as a combined statistic for the NGDC as a whole. The chart above presents the combined busy-out rate for each major NGDC during 2001.

Two of the NGDCs were not able to capture the busy-out rate for their call centers in 2001. Dominion Peoples and UGI did not have the capability of reporting this statistic. These companies requested a waiver of § 62.33(1)(ii) until they are able to supply this data. The 2002 report should include this statistic for both these companies. Equitable and PG Energy also were not able to report this information for the first six months of 2001 and were granted waivers for reporting purposes. Beginning in July, these two companies produced the busy-out rate for their call centers. However, this statistic is not available for calls to Equitable's emergency number.

In 2001, Columbia was not able to produce an overall statistic that included all its call centers. As a result, the statistic in the chart above and the other telephone access statistics are calculated based on the information that was available from the individual call centers. Columbia will be able to supply more accurate data for 2002.



## 2. Call Abandonment Rate\* 2001



\* 12-month average

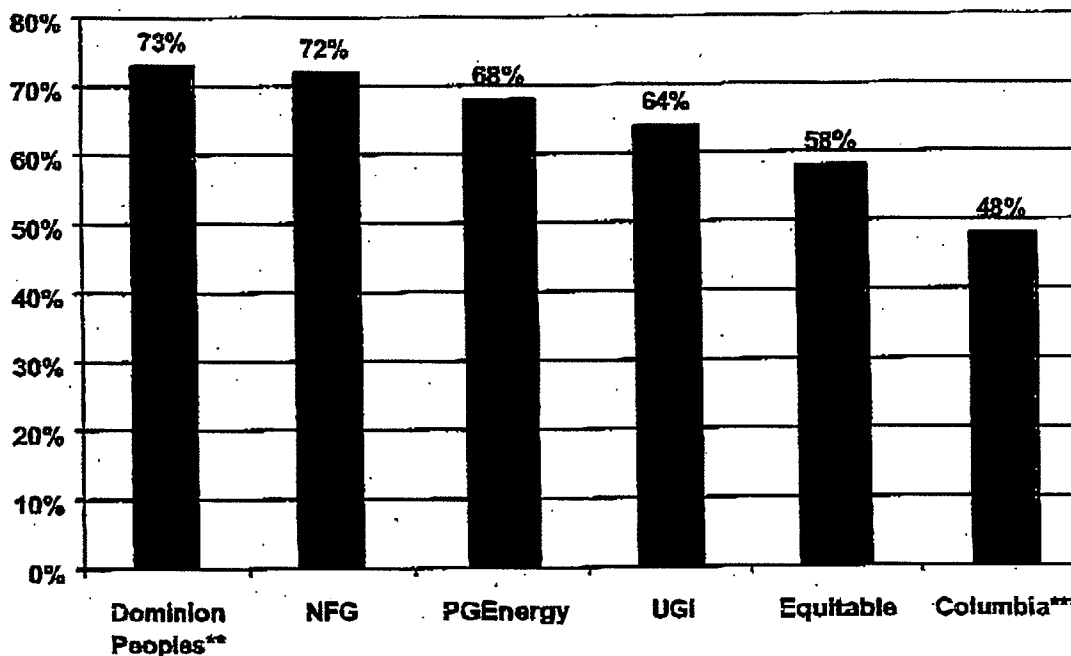
\* \*\*Columbia's actual overall statistics are not available. The BCS calculated this statistic based on information from Columbia's individual call centers.

Consistent with Section 62.33(1)(iii) the NGDCs report to the Commission the average call abandonment rate for each call center, business office, or both. The call abandonment rate is the number of calls to an NGDC's call center that were abandoned divided by the total number of calls that the NGDC received at its call center or business office (52 Pa. Code § 62.32 Definitions). For example, an NGDC with a 10% call abandonment rate means that customers terminated 10% of the calls received prior to speaking to an NGDC representative. If the NGDC has more than one call center, it is to supply the call abandonment rates for each center as well as a combined statistic for the NGDC as a whole. The previous chart presents the combined call abandonment rate for each major NGDC during 2001.

Several of the NGDCs reported fairly wide variations in call abandonment rates from one month to another. The companies explained that high volumes of calls and decreases in employee resources were responsible for the variations. In addition, the

higher costs of gas and the colder than normal winter caused call volumes to increase during the first quarter of 2001.

### 3. Percent of Calls Answered within 30 Seconds\* 2001



\* 12-month average

\*\* Dominion Peoples' January-June data for its contracted call center is reported as percent answered within 20 seconds.

\*\*\*Columbia's actual overall statistics are not available. The BCS calculated this statistic base on data from Columbia's individual call centers.

Pursuant to Reporting Requirements for Quality of Service Benchmarks and Standards at § 62.33(b), each NGDC is to "take measures necessary and keep sufficient records" to report the percent of calls answered within 30 seconds or less at the company's call center. The section specifies that "answered" means that an NGDC representative is ready to render assistance to the caller. An acknowledgement that the consumer is on the line does not constitute an answer. If an NGDC operates more than one call center (a center for handling billing disputes and a separate one for making payment arrangements, for example), the NGDC is to provide separate statistics for each call center and a statistic that combines performance for all the call centers. The chart above presents the combined percent of calls answered within 30 seconds for each of the major NGDCs in Pennsylvania during 2001.

As with call abandonment rates, the percent of calls answered within 30 seconds varies depending on call volume and the number of employees available to take calls.

For example, Equitable reported monthly statistics that ranged from 83% to 19% for this measure. Equitable explained that a temporary reduction in staff and a spike in call volume were responsible for this wide variance. PG Energy also reported that higher call volumes and a shortage of workers negatively impacted the monthly statistics. Similarly, Dominion Peoples explained that rate volatility combined with abnormally cold conditions in December 2000 produced a large volume of calls in January and February 2001. In addition, Dominion Peoples' contracted call center tracked and reported calls answered within 20 seconds rather than within 30 seconds at that time. As a result, in January and February 2001, Dominion Peoples reported lower percents of calls answered in 30 seconds. However, by December 2001, the company reported that 86% of calls were answered within 30 seconds.

## **B. Billing**

Pursuant to 66 Pa.C.S. §1509 and the Standards and Billing Practices for Residential Utility Service (52 Pa. Code § 56.11), a utility is to render a bill once every billing period to all customers. The customer bill is often the only communication between the company and a customer thus underscoring the need to produce and send this very fundamental statement to customers at regular intervals. The failure of a customer to receive a bill each month frequently generates consumer complaints to the NGDC and sometimes to the Commission.

### **1. Number and Percent\* of Residential Bills Not Rendered Once/Billing Period**

	<b>2001</b>	
<b>Company</b>	<b>Number</b>	<b>Percent</b>
<b>PG Energy</b>	<b>0</b>	<b>0%</b>
<b>Equitable</b>	<b>6</b>	<b>0%</b>
<b>UGI</b>	<b>14</b>	<b>.01%</b>
<b>Columbia</b>	<b>52</b>	<b>.01%</b>
<b>NFG</b>	<b>28</b>	<b>.02%</b>
<b>Dominion Peoples</b>	<b>938</b>	<b>.30%</b>

\* 12-month average

The Reporting Requirements for Quality of Service Benchmarks and Standards require the NGDCs to report the number and percent of residential bills that the NGDC

failed to render. The above table presents the average monthly percent of residential bills that each major NGDC failed to render once every billing period during 2001.

Dominion Peoples explains that the accounts that do not receive a bill during a particular month are typically the result of an adjustment to an account that is prompted by that month's meter reading. If the verified reading and/or rebilling process conclude near the next bill date, the company provides a two-month billing statement rather than sending two bills a few days apart.

## 2. Number and Percent\* of Bills to Small Commercial Customers not Rendered Once/Billing Period

	2001	
Company	Number	Percent
PG Energy	0	0%
Equitable	2	0%
UGI	3	.01%
NFG	5	.06%
Columbia	40	.08%
Dominion Peoples	131	.69%

\*12-month average

Moreover, the reporting requirements require the NGDCs to report the number and percent of small commercial bills that the NGDC failed to render in accordance with the this provision. For purposes of the reporting requirements, a small business customer is defined as a person, sole proprietorship, partnership, corporation, association or other business whose annual gas consumption does not exceed 300 Mcfs (52 Pa. Code Chapter § 62.32).

The above table presents the average monthly percent of bills to small commercial customers that each major NGDC failed to render once every billing period during 2001. As with residential bills, Dominion Peoples explains that the accounts that do not receive a bill during a particular month are typically the result of an adjustment to an account that is prompted by that month's meter reading. If the verified reading and/or rebilling process conclude near the next bill date, the company provides a two-month billing statement rather than sending two bills a few days apart.

### C. Meter Reading

Regular meter reading is important to produce accurate bills for customers who expect to receive bills based on the amount of service they have used. The concern that regular meter reading may be one of the customer service areas where NGDCs might reduce service under natural gas competition was responsible for the following measures being included in the reporting requirements. The Commission's experience is that the lack of actual meter readings generates large numbers of complaints to companies, as well as to the Commission. The reporting requirements include three measures of meter reading performance that correspond with the meter reading requirements of the Chapter 56 regulations.

#### 1. Number and Percent of Residential Meters Not Read By Company or Customer in Six Months

Company	2001	
	Number	Percent
PG Energy	30	0%
Equitable	436	.18%
NFG	432	.26%
Columbia	1,721	.48%
UGI	1,705	.58%
Dominion Peoples**	2,901	.9%

\* 12-month average

\*\* Averages based on the 6-month averages (January-June and July-December)

Pursuant to Chapter 56, Section 12(4)(ii), an NGDC may estimate the bill of a residential ratepayer if NGDC personnel are unable to gain access to obtain an actual meter reading. However, at least every 6 months, the NGDC must obtain an actual meter reading or ratepayer supplied reading to verify that the estimated readings are accurate. The Reporting Requirements for Quality of Service Benchmarks and Standards require NGDCs to report the number and percent of residential meters for which they have failed to comply with this section of Chapter 56.

Dominion Peoples did not have monthly meter reading data available for the first half of 2001. The company was able to supply a six-month average for that time period. The 12-month average shown above was calculated based on the information that the

company had available. PG Energy reports that it is expanding its automated meter reading device installation program for hard to read meters. As a result, the company has experienced a reduction in the number of meters not in compliance with Chapter 56 regulations. UGI notes that approximately 65% of its meters are located inside its customers' homes. The company has put various programs into place to reduce the number of meters not read as required.

## 2. Number and Percent\* of Residential Meters Not Read In Twelve Months

Company	2001	
	Number	Percent
<b>PG Energy</b>	<b>0</b>	<b>0%</b>
<b>NFG</b>	<b>211</b>	<b>.13%</b>
<b>UGI</b>	<b>602</b>	<b>.20%</b>
<b>Dominion Peoples**</b>	<b>824</b>	<b>.26%</b>
<b>Equitable</b>	<b>672</b>	<b>.29%</b>
<b>Columbia</b>	<b>1,035</b>	<b>.29%</b>

\* 12-month average

\*\* Averages based on the 6-month averages (January-June and July-December)

Pursuant to Chapter 56.12 (4)(iii), a company may estimate the bill of a residential ratepayer if company personnel are unable to gain access to obtain an actual meter reading. However, at least once every 12 months, the company must obtain an actual meter reading to verify the accuracy of either the estimated or ratepayer supplied readings. The Reporting Requirements for Quality of Service Benchmarks and Standards require the NGDCs to report the number and percent of residential meters for which they fail to meet the requirements of this section.

Equitable reports that 25% of its residential customers have meters inside their premises. Meter readers are often unable to gain access to read the meters due to no one being home. The company offers scheduled appointments and customer reading cards to combat this problem.

### 3. Number and Percent\* of Residential Remote Meters Not Read In Five Years

Company	2001	
	Number	Percent
Columbia	0	0%
Dominion Peoples	0	0%
PG Energy	0	0%
Equitable	70	.42%
UGI	1,739	.59%
NFG	67	2.5%

\* 12-month average

Pursuant to Chapter 56.12(5)(i), a utility may render a bill on the basis of readings from a remote reading device. However the utility must obtain an actual meter reading at least once every five years to verify the accuracy of the remote reading device. Under the quality of service reporting requirements, the NGDCs must report to the Commission the number and percent of residential remote meters for which it failed to obtain an actual meter reading under the timeframe described in Chapter 56.

PG Energy notes that as of 2001, it had no residential remote meters that have been in place for more than five years.

## **D. Response to Disputes**

### **Number of Residential Disputes That Did Not Receive a Response within 30 Days**

When a ratepayer advises a utility that he or she disputes any matter covered by Chapter 56 regulations, the utility must issue its report to the complaining party within 30 days of the initiation of the dispute. A complaint or dispute filed with a company is not necessarily a negative indicator of service quality. However, a company's failure to promptly respond to the customer's complaint is an indication of poor service. Further, to respond beyond the 30-day limit is an infraction of § 56.151(5) and the cause of complaints to the Commission.

<b>Company</b>	<b>Number of Disputes Receiving No Response within 30 Days during 2001</b>
<b>PG Energy</b>	<b>0</b>
<b>Equitable</b>	<b>18</b>
<b>NFG</b>	<b>22</b>
<b>Dominion Peoples</b>	<b>133</b>
<b>Columbia</b>	<b>220</b>
<b>UGI</b>	<b>301</b>

The Reporting Requirements for Quality of Service Benchmarks and Standards at § 62.33(4) require each NGDC to report to the Commission the actual number of disputes for which the company did not provide a response as required under the Chapter 56 regulations, in other words, not within 30 days.

UGI reports that unusually high gas costs and colder weather challenged UGI's customer services personnel during the first six month of the year with a significant increase in disputed bills. As a result, during the first half of the year, the company had higher numbers of disputes for which it did not issue a utility report within the required 30-day time frame. In the second half of the year, new processes and personnel changes were responsible for a reduction in the number of customer disputes unanswered in 30 days. PG Energy reports that it had no disputes for which it failed to issue a utility report within 30 days. PG Energy explains that it maintains a daily log of open disputes in order to ensure that all customers receive a response within the required time.



## **II. Conclusion**

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This report fulfills the Commission's responsibility to summarize the quality of service statistics that the NGDCs reported to the Commission. In 2001 the regulations required the NGDCs to report data two times; the first report contained data for the first six months of 2001 and the second report contained data for the second six months of the year and for the year as a whole. From this point forward, the companies will report data annually.

Next year's report will include additional information that the companies will report to the Commission about their customer service performance in the year 2002. The regulations specify that each NGDC with more than 100,000 residential customers conduct a survey of customers who have had a recent interaction, customer-initiated, with the company. The NGDCs began to conduct the surveys in January 2002 and will report results for the first six months in October 2002. Reports on survey results for the calendar year are due to the Commission in April 2003. The Commission's quality of service report for the year 2002 will include a summary of customer survey results. For the charts and tables on telephone access, billing, metering, etc., next year's report will include 2002 performance data as well as 2001 data to offer a comparison of each NGDC's performance for the past two years. The BCS report, *Utility Consumer Activities Report and Evaluation*, will again provide statistics associated with consumer complaints and payment arrangement requests filed with the Commission about the major NGDCs.

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

THIRD SET OF INFORMATION REQUESTS OF  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO  
ALL PARTICIPANTS  
D.T.E. 04-116

RESPONSES OF NEW ENGLAND GAS COMPANY

Dated: July 29, 2005

Respondent: Karen Czaplewski, Vice President, Customer Service

Information Request DTE-A 3-2

Please discuss the feasibility of adopting a telephone answering performance measure described below:

- (a) Eighty percent of telephone calls answered within 30 seconds, as defined by a customer receiving and selecting between the option to receive automated information (e.g., account balance) and speaking with a customer service representative;
- (b) Eighty percent of telephone calls answered within 40 seconds, with the same parameters as in (a);
- (c) Eighty percent of telephone calls answered within 60 seconds, with the same parameters as in (a);
- (d) Seventy-five percent of telephone calls answered within 30 seconds, with the same parameters as in (a);
- (e) Seventy-five percent of telephone calls answered within 40 seconds, with the same parameters as in (a);
- (f) Seventy-five percent of telephone calls answered within 60 seconds, with the same parameters as in (a);
- (g) Seventy-five percent of telephone calls answered within 20 seconds, with the same parameters as in (a).

Response

The Department should not impose any type of telephone service factor without consideration of a utility's individual operating experience and cost profile. Imposing a telephone answering performance measure requiring either 75 or 80 percent performance within 40 seconds or less for non-emergency calls could require a significant upgrade of a utility's facilities and technical and human resources, without any guarantee of success. Specific changes that would be needed could include:

- ❖ significant additions of trained staff;
- ❖ new customer information systems;
- ❖ contracting for additional peak-hour call-answering resources through third party vendors

The Department should not require companies to make these types of changes without consideration of the incremental costs associated with the effort and the difference between those costs and those currently allowed by the Department to be recovered in rates. Moreover, these costs must be compared to the purported benefit that may result from the investment in order to determine what the cost impact would be on customers and whether that impact is warranted or reasonable.

The cost/benefit issues that would be faced by New England Gas if the Department were to require a uniform telephone answering benchmark underscore the Company's concerns about imposing a standardized telephone answering measure on all electric and gas companies, regardless of their size. Requiring companies to undertake such a significant effort to increase their service quality performance to match the performance of other companies is inconsistent with the premise underlying the Department's service quality precedent and that of G.L. c. 164, § 1E, which is to ensure that a company's service quality does not degrade over time in the context of operating under an incentive-based regulatory structure.